

# Second-Party Opinion

## EDP Green Finance Framework

### Evaluation Summary

Sustainalytics is of the opinion that the EDP Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category is expected to contribute to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION AND SELECTION** Energias de Portugal's Sustainable Finance Working Group will be responsible for selecting and evaluating eligible projects and assets. Energias de Portugal has processes in place to identify and manage common environmental and social risks associated with the eligible projects, which apply to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Energias de Portugal's Sustainable Finance Working Group will oversee the processes for management of proceeds on a portfolio basis. Energias de Portugal intends to fully allocate the proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held in the treasury liquidity portfolio, including cash or cash equivalents or invested in reimbursement or purchase of existing debt. Energias de Portugal intends to label only those tranches whose proceeds will be allocated according to the eligible criteria of the EDP Green Finance Framework. This is in line with market practice.



**REPORTING** Energias de Portugal commits to report on the allocation of proceeds on its website on an annual basis until full allocation or in case of any material changes. Allocation reporting will include information such as an overview of the portfolio by asset type and total amount of assets. In addition, Energias de Portugal commits to report on relevant impact metrics. Sustainalytics views Energias de Portugal's allocation and impact reporting commitments as aligned with market practice.

### EU Taxonomy

Sustainalytics has assessed the EDP Green Finance Framework for alignment with the technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy and the do no significant harm (DNSH) criteria for two activities. Sustainalytics is of the opinion that two activities align with the applicable SC criteria and partially align with the relevant DNSH criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

## Second-Party Opinion



Reviewed by:



SUSTAINALYTICS

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### Report Sections

Introduction .....	2
Sustainalytics' Opinion.....	3
Appendices.....	11

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<sup>1</sup> This document is an update of Sustainalytics' Second-Party Opinion originally published on 3 March 2022.

## Introduction

Energias de Portugal SA (“EDP” or the “Company”) is a multinational utility company with presence spread across four regional hubs: North America, South America, Europe and Asia-Pacific. EDP owns the majority of EDP Renewables (EDPR), which develops and operates renewable energy generation and is the fourth largest wind energy producer in the world. Headquartered in Lisbon, Portugal, EDP employs more than 13,000 people in its operations.

EDP has developed the EDP Green Finance Framework (the “Framework”), under which it intends to issue green bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to increase renewable electricity generation in the regions where EDP operates. The Framework defines eligibility criteria in one green category:

### 1. Renewable Energy

EDP engaged Sustainalytics to review the Framework, dated September 2023,<sup>2</sup> and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>3</sup> and the Green Loan Principles 2023 (GLP).<sup>4</sup> The Framework has been published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The Use of Proceeds criteria alignment with the EU Taxonomy Climate Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of EDP’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. EDP representatives have confirmed (1) they understand it is the sole responsibility of EDP to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EDP.

<sup>2</sup> The Framework updates and replaces EDP’s 2022 Green Finance Framework, for which Sustainalytics has provided a Second-Party Opinion. Sustainalytics, “Second-Party Opinion EDP Green Finance Framework”, (2022), at: <https://www.edp.com/sites/default/files/2022-03/2022-03-04-Energias%20de%20Portugal%20Green%20Finance%20Framework%20Second%20Party%20Opinion.pdf>

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>4</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> The EDP Green Finance Framework is available on Energias de Portugal SA’s website at: <https://www.edp.com/en/investors/fixed-income/green-funding>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, EDP is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that EDP has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the EDP Green Finance Framework

Sustainalytics is of the opinion that the EDP Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible category – Renewable Energy – is aligned with those recognized by the GBP and GLP.
  - Under the Framework, eligible expenditures may include the acquisition of companies limited and pro-rated to the share of business dedicated to activities considered eligible under the Framework. Sustainalytics recognizes that the GBP favour project-based lending and financing and that there is less transparency in general with non-project-based lending. Nevertheless, Sustainalytics notes that such financing through green bonds is commonly accepted as an approach that can generate a positive impact. Regarding acquisition investments, eligible expenditures may include the acquisition of physical assets or pure play companies involved in the activities eligible under the Framework. In case a company is partially involved in eligible activities, EDP intends to use a pro-rata allocation of green proceeds based on the percentage of the book value of eligible green assets on the acquired company's balance sheet, which Sustainalytics considers to be in line with market practice.
  - Under the Renewable Energy category, EDP intends to finance or refinance renewable electricity generation facilities powered by i) onshore and offshore wind; ii) concentrated solar power (CSP); and iii) solar photovoltaic.
    - EDP has confirmed to Sustainalytics that it will exclude the incorporation of fossil fuel backup systems for its CSP projects.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.
  - Sustainalytics notes that EDP excludes the financing of projects related to fossil fuels.
- Project Evaluation and Selection:
  - EDP has established a Sustainable Finance Working Group (the "Working Group"), which will be responsible for evaluating and selecting projects and assets in line with the Framework's eligibility criteria. The Working Group consists of representatives from EDP's Finance and Sustainability teams, as well as members of EDPR.
  - The Working Group uses an internal monitoring process to identify, manage and mitigate environmental and social risks. EDP complies with applicable national, European and international environmental and social standards and regulations to manage potential negative environmental and social impacts associated with the eligible green assets. Additionally, the financed projects are subject to ESG standards defined in EDP's environmental and social

- policies, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2
- Based on the established process for project evaluation and selection and the presence of environmental and social risk management systems, Sustainalytics considers EDP's process for project evaluation and selection to be in line with market practice.
  - Management of Proceeds:
    - The Working Group will oversee the management of proceeds in accordance with EDP's treasury management policy. The proceeds will be managed on a portfolio basis and tracked via the Company's internal system.
    - EDP intends to fully allocate proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held in EDP's treasury liquidity portfolio, including cash or cash equivalents or invested in the reimbursement or purchase of existing debt. EDP has confirmed that only existing debt financing assets eligible under the Framework will be reimbursed or repurchased.
    - EDP has confirmed to Sustainalytics that debt issued under the Framework may include multi-tranche loan facilities and all the tranches will be directed towards financing eligible projects.
    - Based on the presence of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this to be in line with market practice.
  - Reporting:
    - EDP commits to report on its allocation and impact of proceeds on the Company's website on an annual basis until full allocation or in case of material changes. EDP has confirmed to Sustainalytics that in case a credit revolving facility will be issued under the Framework, reporting will be done until the loan maturity.
    - Allocation reporting will include an overview of the portfolio by asset type, total amount of assets, amount and share of financing versus refinancing, the balance of unallocated proceeds, geographic distribution of assets by country and the proportion of the eligible asset portfolio that contributes to the UN SDGs and that aligns with the EU Taxonomy. Information on the allocation of proceeds will also be available in the Company's Sustainability Report. EDP also plans to obtain post-issuance verification on its allocation reporting on annual basis until full allocation.
    - Impact reporting is intended to be aligned with ICMA's Harmonized Framework for Impact Reporting and may include indicators such as installed renewable energy capacity (measured in MW), annual CO<sub>2</sub> emissions avoided (measured in tCO<sub>2</sub>) and annual production of renewable energy (measured in MWh).
    - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the EDP Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

### **Alignment with the EU Taxonomy**

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy
  - The criteria in the one eligible category defined in the Framework were mapped to two activities of the EU Taxonomy. The criteria were assessed as aligned with the applicable SC criteria of the EU Taxonomy.
2. Do No Significant Harm Criteria
  - A total of seven individual DNSH criteria apply to the two activities to which the Framework criteria were mapped. The criteria were determined to be aligned with four of the applicable DNSH criteria and partially aligned with three of the applicable DNSH criteria.

3. Minimum Safeguards

- Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
- For Sustainalytics’ assessment of alignment with the Minimum Safeguards, see Section 2 below.

Table 1 provides an overview of the alignment of the EDP Green Finance Framework with the applicable SC criteria and DNSH criteria of the EU Taxonomy.

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Electricity generation from wind power	■	□	■	□	■	■	-	□
Electricity generation using solar photovoltaic technology	■	□	■	□	-	■	-	■
Electricity generation using concentrated solar	Not assessed at this time <sup>7</sup>							

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

## Section 2: Sustainability Strategy of EDP

### Contribution to EDP’s sustainability strategy

EDP demonstrates a commitment to sustainability through its focus on contributing to the decarbonization of the power sector. EDP’s ESG 2030 plan outlines the Company’s ambitions for 2030 and defines 12 goals to drive sustainability in the business.<sup>8</sup> Sustainalytics highlights the following goals as most relevant to the projects that may be financed under the Framework: i) clean energy generation; ii) sustainable energy consumption; and iii) circular economy.

EDP has set short- and medium-term targets for the reduction of its direct and indirect emissions. The Company aims to become coal-free by 2025 and reach 100% renewable energy generation by 2030 and net zero by 2040.<sup>9</sup> The Company aims to achieve carbon neutrality in scope 1 and 2 emissions by 2030, with intermediate targets of reducing emissions by 28% by 2024 and 77% by 2026 compared to 2020 levels.<sup>10</sup> In addition, EDP aims to reduce its scope 3 emissions by 45% by 2030 and 90% by 2040 relative to 2020 levels.<sup>11</sup> To achieve this, EDP needs to secure an additional 50 GW of renewable energy. The Company aims for at least 70 GW of total renewable energy capacity by 2030. This will require EDP to at least double its renewable energy capacity growth rate to an average of 4 GW per year.<sup>12</sup> In addition to increasing the renewable energy supply,

<sup>7</sup> The Framework includes eligibility criteria for electricity generation using concentrated solar power (CSP) technology. Sustainalytics notes that EDP does not yet have projects in this area and has not provided sufficient evidence in its framework criteria to enable Sustainalytics to assess this against the EU Taxonomy Climate Delegated Act.

<sup>8</sup> EDP, “Ambitions 2030, Targets 2025”, at: <https://www.edp.com/en/ambition-2030-targets-2025>

<sup>9</sup> EDP, “Strategic Update 2023-2026”, at: [https://www.edp.com/sites/default/files/2023-03/BP23-26%20EDP%20CMD\\_0.pdf](https://www.edp.com/sites/default/files/2023-03/BP23-26%20EDP%20CMD_0.pdf)

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> EDP, “Business Plan 2023-26”, at: [https://www.edp.com/sites/default/files/2023-03/BP23-26%20EDP%20CMD\\_0.pdf](https://www.edp.com/sites/default/files/2023-03/BP23-26%20EDP%20CMD_0.pdf)

EDP aims to secure an additional 2.3 GW of storage capacity and increase battery storage capacity by 400 MW by 2025 relative to 2020.<sup>13</sup>

Regarding circular economy, EDP has also identified the reuse of materials from solar and wind assets due to the constant improvement of renewable energy technology as a crucial circular economy pillar. For example, due to the repowering of a wind farm in Spain in 2019, 22 of the 80 wind turbines were resold and the remaining were recovered for reuse.<sup>14</sup> In line with this trend, EDP aims to recover at least 85% of materials from its operations and the dismantlement of solar and wind farms by 2025.<sup>15</sup>

Sustainalytics is of the opinion that the EDP Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the green bonds and loans issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to occupational health and safety; emissions, effluents and waste generated during construction; land use and biodiversity; and supply chains.

Sustainalytics is of the opinion that EDP is able to manage or mitigate potential risks through the implementation of the following:

- EDP has established a Health and Safety at Work Policy to ensure a safe working environment, aiming to achieve zero accidents at all times.<sup>16</sup> The policy promotes the importance of training to raise employee awareness and compliance with safety standards and procedures. In addition to this policy, EDP published in 2023 the Safety, Security & Business Continuity Report, which outlines the preventative measures it takes, including tailored training packages for each functional role and the implementation of a prevention and safety committee.<sup>17</sup> In 2022, 81% of EDP's employees and 96% of installed capacity were covered by the ISO:45001 occupational health and safety management standard certification globally.<sup>18</sup>
- Regarding the management of emissions, effluents and waste, EDP has an Environmental Policy in place, which highlights the Company's responsibilities to limit direct and indirect emissions and maximize the recovery of waste and its reintroduction into the economy as byproducts.<sup>19</sup> This policy is a part of EDP's corporate management system, which is certified in accordance with ISO 14001 environmental management standards.<sup>20</sup>
- To mitigate risks related to land use and biodiversity, the Environmental Policy outlines a set of commitments that aim to ensure the implementation of appropriate land-use management systems, such as: i) contributing to the reduction of biodiversity loss; ii) promoting the mitigation hierarchy; and iii) aiming for a long-term net benefit in terms of biodiversity. The Company aims for zero net biodiversity loss and has committed to not building new production facilities in areas that are part of the UNESCO World Heritage List of Natural Sites. Furthermore, EDP promotes the use of the biodiversity mitigation hierarchy to reduce biodiversity loss as outlined in the Company's biodiversity report.<sup>21</sup>
- EDP has established a Sustainable Procurement Policy and Supplier Code of Conduct, which mandate its suppliers to comply with local laws and regulations and adopt a responsible environmental policy that mitigates the adverse impacts of business activities on the environment.<sup>22,23</sup>
- As a signatory to the United Nations Global Compact, EDP conforms to its 10 principles, including on human rights, labour, environment and anti-corruption and transparently discloses its performance

<sup>13</sup> EDP, "Sustainability Report 2020", at: [https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020\\_1.pdf](https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020_1.pdf)

<sup>14</sup> EDP, "Circular Economy: the role of EDP", at: <https://www.edp.com/en/sustainability/circular-economy-role-of-edp>

<sup>15</sup> EDP, "Ambitions 2030, Goals and Targets 2025", at: <https://www.edp.com/en/ambition-2030-targets-2025>

<sup>16</sup> EDP, "Health and Safety at Work Policy", at: <https://www.edp.com/en/health-and-safety-work-policy>

<sup>17</sup> EDP, "Safety, Security & Business Continuity Report", at: [https://www.edp.com/sites/default/files/2023-05/Safety%20Security%20%20Business%20Continuity\\_EN.pdf](https://www.edp.com/sites/default/files/2023-05/Safety%20Security%20%20Business%20Continuity_EN.pdf)

<sup>18</sup> ISO, "ISO 45001:2018", at: <https://www.iso.org/standard/63787.html>

<sup>19</sup> EDP, "Environmental Policy", at: <https://www.edp.com/en/sustainability/environmental-policy>

<sup>20</sup> ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html>

<sup>21</sup> EDP, "Biodiversity Report 2015-19", at: <https://www.edp.com/sites/default/files/2020-07/AF%20Relat%C3%B3rio%20Biodiversidade%20EN8.pdf#page=21>

<sup>22</sup> EDP, "Sustainable Procurement Policy", at: <https://www.edp.com/en/sustainable-procurement-policy>

<sup>23</sup> EDP, "EDP Supplier Code of Conduct", at: <https://www.edp.com/en/edp-supplier-code-conduct>

regarding these principles to the UN Global Compact.<sup>24</sup> In line with the principles, the Company commits to avoiding human rights violations, forced and child labour, environmental degradation, and corruption.

Sustainalytics notes that EDP has been involved in several controversies related to business ethics, quality and safety.<sup>25</sup> EDP has been under investigation for bribery and corruption involvement from 2004 to 2011. EDP is alleged to have benefitted by receiving compensation payments during the liberalization of the power sector in Portugal and the long-term energy purchase contracts established at the time. The investigation is ongoing, but the severity of the allegations has continued to escalate in recent years, also implicating (former) members of senior management. In 2021, the Company faced allegations of tax evasion during the sale of its hydropower projects and investigations into the case are ongoing.

Sustainalytics notes that the Company has significantly improved its management of business ethics and has achieved certification under the ISO 37001 anti-bribery management standards.<sup>26</sup> Furthermore, Sustainalytics acknowledges that the controversies will not directly impact eligible projects that may be financed under the Framework. However, Sustainalytics encourages the Company to further strengthen its policies related to business ethics and quality and safety to mitigate potential negative impacts in the future.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EDP has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with projects in the eligible category.

### **Alignment with the EU Taxonomy's Minimum Safeguards**

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and the combating of bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organization's (ILO) Declaration on Fundamental Rights and Principles at Work.

### **Human and Labour Rights**

EDP has implemented the following policies and procedures regarding human and labour rights:

- EDP has established a Human and Labour Rights Policy that applies to all EDP entities and employees, business relationships and activities in all the locations where the Company operates and outlines a commitment to international standards, guidelines, treaties and conventions, namely: OECD Guidelines for Multinational Enterprises, OECD Guidelines on Responsible Business Conduct, UN Guiding Principles on Business and Human Rights, ILO's Declaration on Fundamental Rights and Principles at Work and International Bill of Human Rights.<sup>27</sup>
- The EDP Supplier Code of Conduct lays out the Company's requirements towards its suppliers with regard to human and labour rights and workplace health and safety. EDP requires its suppliers to ensure and promote respect for the protection of human rights and free labour, as well as fair remuneration to workers and prevention of child labour. Regarding workplace health and safety, EDP suppliers are expected to comply with national legislation and international standards in force and record all risks associated with the conduct of their activity.
- EDP's Code of Ethics provides guidance to ensure that the Company follows the highest ethical standards on all levels, such as safeguarding of human life, physical and mental integrity, and health and safety at work. Furthermore, it addresses equality and non-discrimination; fair wages; prohibition of child, youth and forced labour; and relationships with communities, among other issues.<sup>28</sup>
- Sustainalytics notes that EDP was involved in a controversy related to a wildfire that occurred near Pedrógão Grande, Portugal, in 2017. Independent studies suggest that inadequate vegetation clearance from the Company's transmission lines was the leading cause of the wildfire. Although EDP denies these allegations, it has significantly stepped up aerial inspections and ground inspections, vegetation clearance and improved procedures to increase efficient communication with emergency response officials.

<sup>24</sup> United Nations Global Compact, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>25</sup> Sustainalytics, "Sustainalytics Controversy Report", (2023).

<sup>26</sup> EDP, "EDP receives ISO 37001 certification", (2019), at: <https://brasil.edp.com/en/news/2020/01/07/edp-receives-iso-37001-certification>

<sup>27</sup> EDP, "Human and Labor Rights Policy", at: <https://www.edp.com/en/human-rights>

<sup>28</sup> EDP, "Code of Ethics", at: [https://www.edp.com/sites/default/files/2021-11/EDP\\_codigodeetica\\_EN\\_2021\\_v1.2.pdf](https://www.edp.com/sites/default/files/2021-11/EDP_codigodeetica_EN_2021_v1.2.pdf)

Sustainalytics has assessed the measures taken by EDP to strengthen its risk management systems and policies and is of the opinion that these measures provide an adequate safeguard in this area for future operations. Additionally, Sustainalytics notes that the projects to be financed under the Framework are not directly related to this controversy.

EDP has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- EDP has established an Integrity Policy as part of its Global Compliance Program, which is applicable to its subsidiaries, service providers and any other group entity employees that act on behalf of EDP. This policy outlines the Company's compliance with applicable national and international regulatory rules and encourages employees to conduct business fairly and avoid improper or unlawful practices. EDP has established procedures to prevent and mitigate criminal practices, such as corruption, money laundering, terrorism financing or insider trading. EDP has also established a specific control mechanism to ensure EDP's Integrity Policy and anti-bribery and anti-corruption procedures are applied throughout the business. In addition, EDP has developed specific ethics and integrity training plans.<sup>29</sup>
- EDP has whistleblowing channels that enable its employees to anonymously report issues related to money laundering and terrorism financing. These channels are complemented by an investigation procedure that defines rules regarding the management of complaints received.<sup>30</sup>
- Sustainalytics notes that EDP has been under investigation for bribery and corruption investigation from 2004 to 2011. EDP is alleged to have benefitted by receiving compensation payments during the liberalization of the power sector in Portugal and the long-term energy purchase contracts established at the time. The investigation is ongoing, but the severity of the allegations has continued to escalate in recent years, also implicating (former) members of senior management. Recent investigations also indicate that the initial award of a contract to EDP to build the Baixo Sabor hydropower dam in Portugal in 2008 may have involved corruption. While EDP denies these allegations, in past years, the Company has significantly strengthened its management related to bribery and corruption, business ethics and whistleblowing. Most recently, the Company has attained UNE 19061 certification for criminal compliance management systems, ISO 37001 for anti-bribery management systems and ISO 37301 for compliance management systems.

Sustainalytics has assessed the measures taken by EDP to strengthen its internal systems and policies and recognizes that these can aid in mitigating future business ethics incidents. However, Sustainalytics notes that the ongoing allegations and the negative impacts on the Portuguese economy may continue to expose EDP to risks.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EDP's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

#### Importance of financing renewable energy in Portugal and globally

At a global scale, coal is the dominant fuel for electricity generation, representing over a third of the total supply in 2022.<sup>31</sup> At the same time, electricity generated from solar and wind has increased from approximately 10% in 2021 to 12% in 2022 on a global level, an increase of 539 TWh.<sup>32</sup> The share of solar in the power generation mix has steadily increased over the last 10 years, representing 36.54% of renewable electricity generation in 2022.<sup>33</sup> Despite the growth of renewable energy in electricity generation, in 2021,

<sup>29</sup> EDP, "EDP's Integrity Policy", at: <https://www.edp.com/en/edps-integrity-policy>

<sup>30</sup> EDP, "Report on the implementation of Article 8 of the European Taxonomy Regulation", at: [https://www.edp.com/sites/default/files/2023-03/Report%20on%20the%20implementation%20of%20Article%208%20of%20the%20European%20Taxonomy%20Regulation\\_1.pdf](https://www.edp.com/sites/default/files/2023-03/Report%20on%20the%20implementation%20of%20Article%208%20of%20the%20European%20Taxonomy%20Regulation_1.pdf)

<sup>31</sup> Our World in Data, "Electricity Mix", at: <https://ourworldindata.org/electricity-mixhttps://ourworldindata.org/electricity-mix#:~:text=Globally%20we%20see%20that%20coal,and%20solar%20are%20growing%20quickly.>

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.



electricity and heat generation amount to approximately 40% of global GHG emissions, with coal plants emitting nearly 70% of the associated emissions.<sup>34</sup>

In 2019, 76% of Portugal’s primary energy supply came from imported fossil fuels. To reduce dependency on energy imports and ensure affordable access to energy, Portugal is now focused on expanding its renewable energy capacity.<sup>35</sup> In order to align with the European Union’s goal of increasing the share of renewable energy in the overall energy consumption to 32% by 2030 and achieving carbon neutrality by 2050,<sup>36</sup> Portugal has set a target to increase the share of renewable power to 80% of total generation by 2026 and to reach carbon neutrality by 2050.<sup>37</sup> In 2022, approximately 60% of Portugal’s energy was supplied from renewable production.<sup>38</sup> In order to accelerate the decarbonization of the economy in line with the 2030 National Energy and Climate Plans and the 2050 Carbon Neutrality Roadmap, the Government of Portugal promotes regional roadmaps for carbon neutrality and develops five-year carbon budgets. The government also aims to increase the solar energy production capacity by 2 GW between 2023 and 2025, continuing auctions for new solar plants and facilitating self-consumption and the creation of energy communities.<sup>39</sup>

Sustainalytics is of the opinion that EDP’s financing of renewable power generation assets is expected to lead to a positive environmental impact and participate in the decarbonization of Portugal’s and the world’s power mix.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the EDP Green Finance Framework are expected to help advance the following SDG and target:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, substantially increase the share of renewable energy in the global energy mix.

<sup>34</sup> International Energy Agency, “CO2 emissions from electricity and heat production by fuel, and share by fuel, 2000-2021”, (2022), at: <https://www.iea.org/data-and-statistics/charts/co2-emissions-from-electricity-and-heat-production-by-fuel-and-share-by-fuel-2000-2021>

<sup>35</sup> International Energy Agency, “Portugal 2021: Energy Policy Review”, (2021), at: <https://www.iea.org/reports/portugal-2021>

<sup>36</sup> European Commission, “Renewable Energy Directive”, at: [https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive\\_en](https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en)

<sup>37</sup> Enerdata, “Portugal targets 80% renewable power generation by 2026”, (2022), at: <https://www.enerdata.net/publications/daily-energy-news/portugal-targets-80-renewable-power-generation-2026.html>

<sup>38</sup> Reuters, “Renewables supplied 88% of Portugal’s electricity consumption in January”, (2023), at: <https://www.reuters.com/world/americas/renewables-supplied-88-portugals-electricity-consumption-january-2023-02-01/>

<sup>39</sup> Abreu Advogados, “Portugal Renewable Energy”, (2023), at: <https://abreuadvogados.com/wp-content/uploads/2023/06/Legal500ComparativesGuides2023.pdf>

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## Conclusion

EDP has developed the EDP Green Finance Framework, under which it will issue green bonds and loans and the use of proceeds to finance or refinance renewable energy projects in the countries where the EDPR operates. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide a positive environmental impact in the regions where EDP operates.

The EDP Green Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the EDP Green Finance Framework is aligned with the overall sustainability strategy of the Company and the use of proceeds category will contribute to the advancement of UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that EDP has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds despite the controversies that Sustainalytics has identified in which EDP is or was involved.

Sustainalytics has assessed the EDP Green Finance Framework for alignment with the EU Taxonomy and mapped the criteria in the Framework's use of proceeds categories to two activities in the EU Taxonomy. Sustainalytics is of the opinion that both the activities align with the applicable technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy and partially align with the applicable do no significant harm criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that Energias de Portugal is well positioned to issue green bonds and loans and that the EDP Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

## Appendices

### Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy and the applicable "do no significant harm" (DNSH) criteria. Sustainalytics' assessment involves two steps:

#### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

Table 2 below displays Sustainalytics' mapping process for this report.

#### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the SC criteria and the DNSH criteria is usually based on the specific criteria contained in the issuer's Framework and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant technical screening criteria. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

**Table 2: Framework mapping table**

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Renewable Energy	Wind energy generation (onshore and offshore)	Electricity generation from wind power	D35.11 and F42.22	Mitigation	Table 3
	Solar energy generation (PV)	Electricity generation using solar photovoltaic technology	D35.11 and F42.22		Table 4

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution to an environmental objective and the DNSH for each relevant EU Taxonomy activity.

Table 3

<b>Framework Activity assessed</b>		Wind energy generation (onshore and offshore)	
<b>EU Taxonomy Activity</b>		Electricity generation from wind power	
<b>Corresponding NACE Code</b>		D35.11 and F42.22	
<b>SC Criteria of the EU Taxonomy</b>		<b>Alignment</b>	
Mitigation	The activity generates electricity from wind power.	Eligible by default.	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5		Partially Aligned
Sustainable use and protection of water and marine resources	In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, <sup>40</sup> requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive’s Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848159 in relation to the relevant criteria and methodological standards for that descriptor.	EDP has communicated to Sustainalytics that there are no offshore wind projects in construction stage and it does not intend to finance or refinance any new or existing offshore wind projects in construction stage under the Framework.	Aligned

<sup>40</sup> Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive)

<p>Transition to a circular economy</p>	<p>The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.</p>	<p>As part of its supplier management EDP defines minimum and specific sustainability requirements for each contract with a supplier. Further, EDP has a procurement strategy in place that specifically covers requirements for the quality of goods procured, which includes products and materials sustainability considerations. EDP also promotes the reduction of waste generated with its suppliers. The Supplier Code of Conduct provides general conditions for the procurement of goods and services and contract terms are at the core of executing these considerations. The management of waste within the wind energy space is an area of particular focus for EDP. The Company supports projects that develop viable alternatives for fiberglass recycling from wind turbine blades. In addition, EDP engages with suppliers to follow industry developments in wind turbine blade designs, which have greater recyclability potential.</p> <p>EDP is also working and engaging with its suppliers to include circular economy criteria during construction and dismantling phases. Further, the Company’s environmental policy outlines the circular economy commitments and how the EDP promotes efficient use of natural resources in its activities, wherever possible, within the framework of a life-cycle analysis, in particular: minimising the use of natural resources required for the proper execution of its activities, optimising and efficiently managing internal products and services, promoting a circular economy among our customers and maximising the recovery of waste and its reintroduction into the economy as byproducts.<sup>41</sup></p>	<p>Aligned</p>
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<sup>41</sup> EDP, “Environmental Policy”, at: <https://www.edp.com/en/sustainability/environmental-policy>

<p>Protection and restoration of biodiversity and ecosystems</p>	<p>In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive’s Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.</p> <p>Further, refer to the assessment set out in Appendix 3, Table 6</p>	<p><u>EU nations and the UK:</u>  EDP abides by all national regulatory requirements applicable in the abovementioned countries including the Directive 2008/56/EC (“Marine Strategy Framework Directive”) implemented in the United Kingdom (UK) by the Marine Strategy Regulations 2010. Further, the assets comply with the Water Framework Directive 2000/60/EC which also translate into applicable national law and regulations. The Marine Strategy Framework Directive Program aims at ensuring that projects are planned to achieve environmental targets, such as seas not polluted by contaminants, marine species and habitats unaffected by human activities, sustainable and environmental sound use of resources and seas not impacted by litter, anthropogenic energy and eutrophication.</p> <p><u>Non-EU nations:</u>  EDP has internal procedures in place to minimize the potential effects environment including the biodiversity aspects. The Company implements a set of minimization, restoration and compensation measures necessary to avoid and remediate potential impacts.</p> <p>Sustainalytics recognizes EDP’s commitment to protecting the environment and biodiversity. However, Sustainalytics also notes that EDP is unable to demonstrate compliance to the mentioned DNSH criteria for non-EU nation. Further, Sustainalytics notes that EDP is unable to confirm adherence to the Directive’s Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I of the (EU) 2017/848 and hence has assessed the criteria as partially aligned</p>	<p>Partially Aligned</p>
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Table 4

<b>Framework Activity assessed</b>		Solar energy generation (PV)	
<b>EU Taxonomy Activity</b>		Electricity generation using solar photovoltaic technology	
<b>Corresponding NACE Code</b>		D35.11 and F42.22	
<b>SC Criteria of the EU Taxonomy</b>		<b>Alignment</b>	
Mitigation	The activity generates electricity using solar PV technology.	Eligible by default.	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5		Partially Aligned
Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	As part of its supplier management EDP defines minimum and specific sustainability requirements for each contract with a supplier. Further, EDP has a procurement strategy in place that specifically covers requirements for the quality of goods procured, which includes products and materials sustainability considerations. EDP also promotes the reduction of waste generated with its suppliers. The Supplier Code of Conduct provides general conditions for the procurement of goods and services and contract terms are at the core of executing these considerations. For assets located in the EU, the Directive 2012/19/EU on Waste Electrical and Electronic Equipment Directive (WEEE) <sup>42</sup> regulates the treatment of electrical and electronic waste at the end of their life cycle. WEEE set the fundamental legalities and obligations for collecting and recycling photovoltaic panels in the EU, including setting minimum collection and recovery targets. Moreover, as a part of the WEEE Directive 2012/19/EU, the original producers of electronic and electric equipment are responsible for the recovery and recycling of these goods at no additional cost to the end consumer within all countries of the European Union. This is founded in line with the OECD's Extended Producer Responsibility policy approach which aims to promote more efficient product design and greater recycling rates. In line with this, EDP follows industry developments of new components which have greater recyclability potential.	Aligned

<sup>42</sup> European Commission, "Directive 2012/19/EU of the European Parliament on waste electrical and electronic equipment (WEEE)", at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:197:0038:0071:en:PDF>

		<p>All photovoltaic modules available in the EU can be disposed of, notwithstanding the type of technology used. Most parts of a solar module can be recycled, including glass, semiconductor materials, ferrous and non-ferrous metals.</p> <p>EDP is also working and engaging with its suppliers to include circular economy criteria during construction and dismantling phases. Further, the Company’s environmental policy outlines the circular economy commitments and how the EDP promotes efficient use of natural resources in its activities, wherever possible, within the framework of a life-cycle analysis, in particular: minimising the use of natural resources required for the proper execution of its activities, optimising and efficiently managing internal products and services, promoting a circular economy among our customers and maximising the recovery of waste and its reintroduction into the economy as byproducts.<sup>43</sup></p>	
<p>Protection and restoration of biodiversity and ecosystems</p>	<p>Refer to the assessment set out in Appendix 3, Table 6</p>	<p>Aligned</p>	

<sup>43</sup> EDP, “Environmental Policy”, at: <https://www.edp.com/en/sustainability/environmental-policy>



## Appendix 3: Criteria for “Do No Significant Harm” (DNSH) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 5

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>44</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under the Framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	<p>EDP has risk management procedures in place that incorporate climate change adaptation risks. EDP identifies climate adaptation risks through a phased approach. During the first phase, the Company identifies an exhaustive list of adaptation risks in each business and region, according to TCFD’s recommendations. During the second phase, the Company undertakes three physical scenarios (RCP 2.6, RCP 4.5 and RCP 8.5<sup>45</sup>) to identify additional physical risks. The relevant team monitors and reports the risks to the Board on an annual basis. During the last phase, EDP quantifies physical climate risks to create an aggregated value at risk. Sustainability notes that EDP analyzes the scale and lifetime of its renewable power generation assets as part of its operational risks assessment.</p> <p>Sustainability notes that though EDP has adaptation plans in place, they are not implemented across the whole scope of the business at this stage. EDP has confirmed that it aims to do so by the end of 2025. Furthermore, there is no clear indication that the selected adaptation solutions do not adversely affect external parties’ exposure to physical climate risks and that solutions will be implemented within five years of the start of the activity. Hence, assessed as partially aligned.</p>	<p>Partially Aligned</p>

<sup>44</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

<sup>45</sup> Representative Concentration Pathway: greenhouse gas concentration trajectory adopted by the IPCC.

Table 6

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
<b><i>DNSH Criteria</i></b>	<b><i>Alignment</i></b>	
<ul style="list-style-type: none"> <li>• An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards.</li> <li>• Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</li> <li>• For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</li> </ul>	<p>EDP is committed to protecting the environment and biodiversity, and therefore the scope of environmental assessment (EIA) for all generations activities funded under the Framework. In the EU, EIAs follow the Directive 2011/92/EU. EDP is committed to following equivalent national provisions and international standards, regulation and legal requirements defined by local authorities outside the EU.<sup>46</sup></p> <p>For all the projects located near or inside a biodiversity-sensitive areas/protected area, EDP conducts the necessary studies and measures to protect biodiversity. EDP has a 'No Net Loss' target for all new projects to ensure that the projects' impacts on biodiversity are properly avoided and minimized and to restore affected areas and offset residual externalities via its mitigation hierarchy approach of avoid, minimize, restore and compensate. This hierarchy involves avoiding impacts during the planning and design phase and minimizing the impact once the local biodiversity has been surveyed.</p>	<p>Aligned</p>

<sup>46</sup> Activities financed under this Framework are solely generation activities.

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Energias de Portugal SA
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	EDP Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 13, 2023
Publication date of review publication: Original publication date	Update to EDP Green Finance Framework SPO, published on March 3, 2022

### Section 2. Review overview

#### SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
  - Use of Proceeds
  - Management of Proceeds
  - Process for Project Evaluation and Selection
  - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

#### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (please specify):
- Certification
- Scoring/Rating

#### Does the review include a sustainability quality score?

- Of the issuer
- Of the Framework
- No scoring
- Of the project
- Other (please specify):

## ASSESSMENT OF THE PROJECT(S)

### Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

## ISSUER'S OVERARCHING OBJECTIVES

### Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

## CLIMATE TRANSITION STRATEGY

### Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

### Overall comment on this section:

## Section 3. Detailed review

### 1. USE OF PROCEEDS

#### Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

#### Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?

- the estimated share of financing vs. re-financing (and the related lookback period)?

**Overall comment on this section:** The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category is expected to contribute to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDG 7.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones: *Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.*
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

**Overall comment on this section:** Energias de Portugal's Sustainable Finance Working Group will be responsible for selecting and evaluating eligible assets. Energias de Portugal has processes in place to identify and manage common environmental and social risks associated with the eligible projects, which apply to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.

## 3. MANAGEMENT OF PROCEEDS

### Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

**Overall comment on this section:** Energias de Portugal's Sustainable Finance Working Group will oversee the processes for management of proceeds on a portfolio basis. Energias de Portugal intends to fully allocate the proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held in the treasury liquidity portfolio including cash or cash equivalents or invested in reimbursement or purchase of existing debt. Energias de Portugal intends to label only those tranches whose proceeds will be allocated according to the eligible criteria of the EDP Green Finance Framework. This is in line with market practice.

## 4. REPORTING

### Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

**Overall comment on this section:** Energias de Portugal commits to report on the allocation of proceeds on its website on an annual basis until full allocation or in case of any material changes. Allocation reporting will include information such as an overview of the portfolio by asset type and total amount of assets. In addition, Energias de Portugal commits to report on relevant impact metrics. Sustainalytics views Energias de Portugal's allocation and impact reporting commitments as aligned with market practice.

## Section 4. Additional Information

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:**

**Additional assessment in relation to the issuer/bond framework/eligible project(s):**

### ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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