

# We Choose Earth

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# Purpose

# Our energy

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

# and heart

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

# drive a better

Reflects our ambition and leadership in making change happen

# tomorrow

The reason why we work every day

# Message



## Internal Audit Corporate Director

Dear colleagues and collaborators,

I am delighted to share the Internal Audit Activity Report of EDP for 2023, a year of challenges, lessons learnt and meaningful results that reflect the continuous commitment of the entire team to excellence and integrity in our work.

During this period, we have strived to achieve our strategic objectives, strengthening our processes, and extending our reach to provide greater value to the Organization. Through a combination of rigorous analysis, effective collaboration, and the application of new technologies, we undertook a series of key activities that positively impacted the Group's risk management and control.

Our main objective was to evaluate and enhance internal controls in the Organisation's various activities, promoting improvement initiatives and providing recommendations to optimise operational efficiency and mitigate potential risks with sustainable solutions that promote transparency and accountability at all levels of the company, as well as continuous improvement.

At the same time, we have strengthened our mechanisms for continuous monitoring and follow-up of continuous audit indicators, using mass data analysis technologies that have allowed us to extend our reach and coverage of relevant areas.

As we move into the future, we reaffirm our commitment to continuing to be a reliable and trustworthy partner for

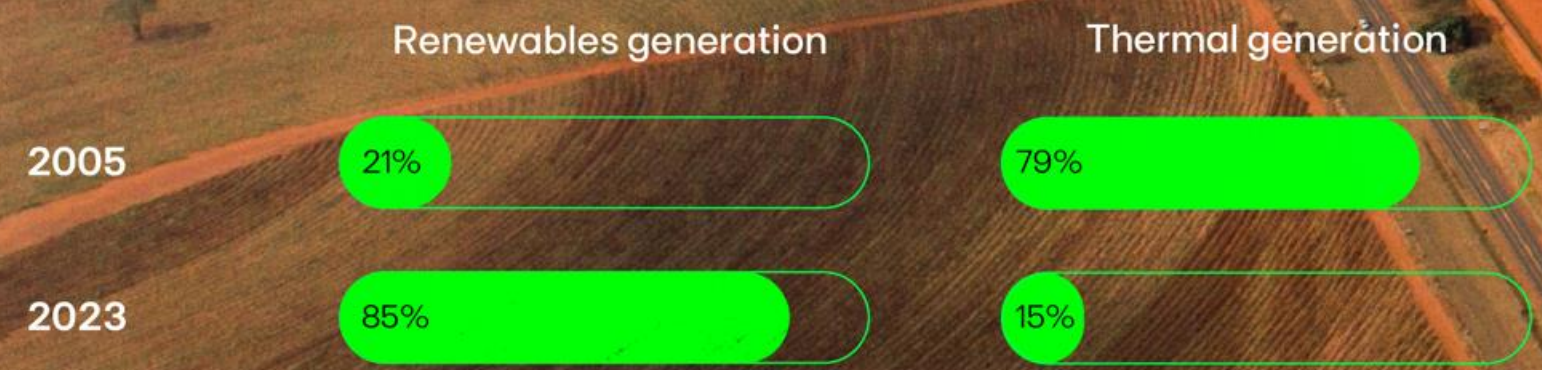
Senior Management, the Executive Board of Directors, the Audit Committee, and the General Supervisory Board. We will continue to work to strengthen corporate governance, protect the interests of our shareholders, and promote a culture of integrity and responsibility throughout the Organization.

I would like to express my sincere gratitude to the entire Internal Audit team for their dedication, professionalism, and unwavering commitment. The achievements are the result of their hard work and dedication, and I am deeply grateful for their contribution to the success of our department and their contribution to the continuous improvement of the Group as a whole.

I am confident that, with our strategic orientation and our passion for continuous improvement, we will continue to achieve our levels of success in the coming years.

**Azucena Viñuela Hernandez**

# We are leading the energy transition to create superior value



Solar Park, Brazil

01 Mission and  
Vision of the Internal  
Audit

Because  
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## Mission

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

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

## Vision

### PREPARED

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

### INFORMED

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

### TRANSVERSAL

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

Ensuring integral vision and activity coverage at a global level.

### WITH THE CAPACITY OF ADAPTATION

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

### DELIVERY

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

Aligned with the expectations and needs of different stakeholders.

### TECHNOLOGICAL

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

## Principles



### INTEGRITY AND ETHICS

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



### CONFIDENTIALITY

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



### OBJECTIVITY

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



### COMPETENCE

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

# We will be coal free

by 2025

Thermoelectric plant, Portugal





## 02 Main events

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# Main events

## January

Approval of the 2023 Group's Internal Audit Activities Plan by the Financial Matters Committee/Audit Committee (CMF/CAUD) and presentation of the Group's 2022 activities closure. EDP Group CMF/CAUD meeting.

Entry into production of the continuous audit regarding the Access Management cycle at EDP Brazil.

Beginning of Internal Audit's participation in the 2nd phase of the Decision Model project, with the definition and implementation of a pilot concerning the decision process for the purchase of external goods and services.

## February

Approval of the 2023 Group's Internal Audit Activities Plan by the Executive Administration Board (CAE) and presentation of the Group's 2022 activities closure.

Monitoring meeting of the 2021-2023 Internal Audit Strategic Plan.

Donations to the victims of the rains on the north coast of São Paulo in Brazil.

## March

Implementation of the new internal audit work report model.

## April

Implementation of Internal Audit's new competency assessment process and definition of the individual development plan.

## May

Monitoring meeting of the 2021-2023 Internal Audit Strategic Plan.

3rd Focus Group session - EDP Compensation Framework.

Internal Audit days ("Jornadas") held in Tomar.

## June

EDP Group CMF/CAUD meeting.

## July

Monitoring meeting of the 2021-2023 Internal Audit Strategic Plan.

4th Focus Group session - The Ethical Building EDP.

Entry into production of the Internal Audit Recommendations follow-up dashboard.

## September

Start drafting Internal Audit's Strategic Plan 2024-2026.

In-person and online participation on the Internal Audit Days ("Jornadas") given by the Spanish Institute of Internal Auditors.

Definition of the protocol for action in the case of new investments in companies or entry into new geographies.

Update of Internal Audit's internal communication tool.

Meeting of the Group's Audit Committees.

## October

Monitoring meeting of the 2021-2023 Internal Audit Strategic Plan.

5th Focus Group session - Generative Artificial Intelligence.

In-person participation in the Annual Internal Audit Conference and ESG Days ("Jornadas") held in Portugal.

Holding a conference on ESG Risks and Opportunities from an Internal Audit perspective at the Annual Internal Audit Conference and ESG Days ("Jornadas") held in Portugal.

Update of the Internal Audit onboarding programme, including the training programme.

Entry into production of the dashboard for monitoring the Internal Audit Activity and Strategic Plan.

## November

Preparation of proposals for the Group's Internal Audit Activity Plan for 2024.

Entry into production of the Internal Audit Quality Programme dashboard.

Holding a conference at the Bank of Portugal's Audit Days ("Jornadas") on the Root Cause Analysis approach followed by the Internal Audit Global Unit.

Visit by the EDP Renewables Audit Committee to the Singapore offices.

## December

Approval of the Internal Audit Activity Plan of 2024 of EDP Renewables by the respective Audit Commission.

EDP Group CMF/CAUD meeting.

Monitoring meeting of the 2021-2023 Internal Audit Strategic Plan.

Internal Audit self-assessment and evaluation of the audit work done by CMF/CAUD.

Volunteering action "Cabazes de Natal 2023" in Portugal.

Wind farm, Greece

# We will be all green

by 2030



## 03 Performance indicators

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# Performance indicators

The performance of Internal Audit's activities, the composition, knowledge, level of experience and development of the Department's employees, as well as the level of satisfaction of internal clients are subject to analysis and monitoring throughout the year, both internally and by the Governing Bodies through performance indicators, which are presented below.

Thus, it becomes possible to enhance the Department's activities in accordance with its objectives and aligned with the strategic pillars of the Group.

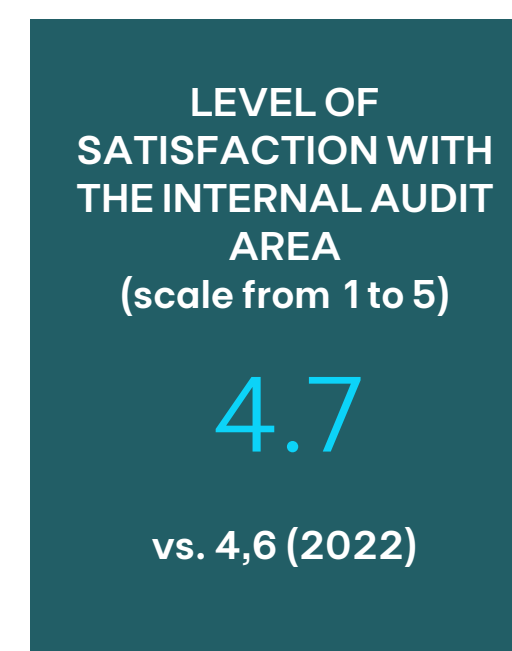
## Human resources



## Performance



## Quality and effectiveness





# We will be Net Zero by 2040

Hydrid Park, Portugal

## 04 Activities completed in 2023

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Other activities and projects	18

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# Activities completed in 2023

## Internal Audit

The execution of the 2023 Plan, within a context of continuity and progressive strengthening of business activity management by platforms, had to be managed in an optimised manner regarding team management and leveraging the individual capabilities of the people involved.

The unified management at Iberian level of the internal audit teams in Portugal and EDP Spain, the consolidation of the internal audit activity in new regions of the Group's expansion, the increasing use of audits with cross-impact as well as the coordination of audits by different teams within the Group's Internal Audit, are examples of measures, mechanisms and approaches that have strengthened and provided a coherent and consistent view of the internal control assessment function within the Group.

Maintaining focus on the major topics of internal control linked to the effectiveness and efficiency of operations, the reliability of operations and financial information, the safeguarding and security of the Group's assets, as well as compliance with internal and external regulations, the activities of 2023 were characterized by covering sub-topics directly related to the implementation of the Group's Strategic Plan and the control and monitoring of the axes aimed at ensuring the smooth development of business within the risk appetite limits defined in all applicable aspects.

The following matters covered by the activity plan during 2023 are specifically notable:

- conducting audits to verify compliance with corporate policies for managing various risks affecting the Group, thereby promoting the coexistence of accelerated growth and attractive returns with a balanced business scenario and solid financial fundamentals.
- conducting audits focused on investment realization, both concerning the informed decision-making process for investment and its execution.
- continuing audits on themes aimed at safeguarding the Group in the event of contingent scenarios stemming from events impacting cybersecurity, business continuity and crisis management.
- developing activities in operational processes to identify opportunities for continuous improvement and excellence.

- conducting audits within the ESG scope, providing support in pursuing environmental, social and governance excellence.
- conducting sector-specific and cross-Group cybersecurity audits.
- continuing audits of IT and OT supplier contracts from a cybersecurity perspective and compliance with Group policies.

On the other hand, 2023 was characterised by the exploration and further development of the relevant portfolio of existing continuous audit indicators in areas always relevant from an internal control perspective, such as the Group's payment management or administrative handling of purchases.

As announced in 2022, the scope of the continuous access management audits was extended to include a wider range of applications relevant to the different EDP Group companies.

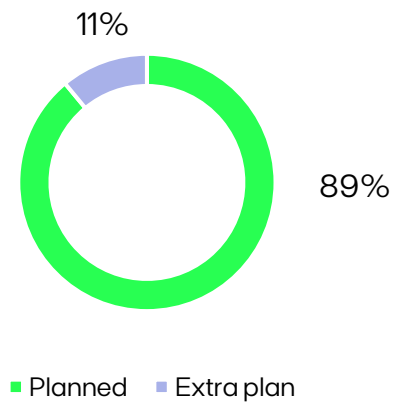
Finally, 2023 marked the completion of the specific Strategic Plan for the Groups Internal Audit function corresponding to the time frame 2021-2023. This involved all the Internal Audit departments across different geographies, focusing on 5 pillars – governance model, business-aligned and informed auditing, organization and human resources, technology and methodology, and quality.

## Audits, consulting and other projects

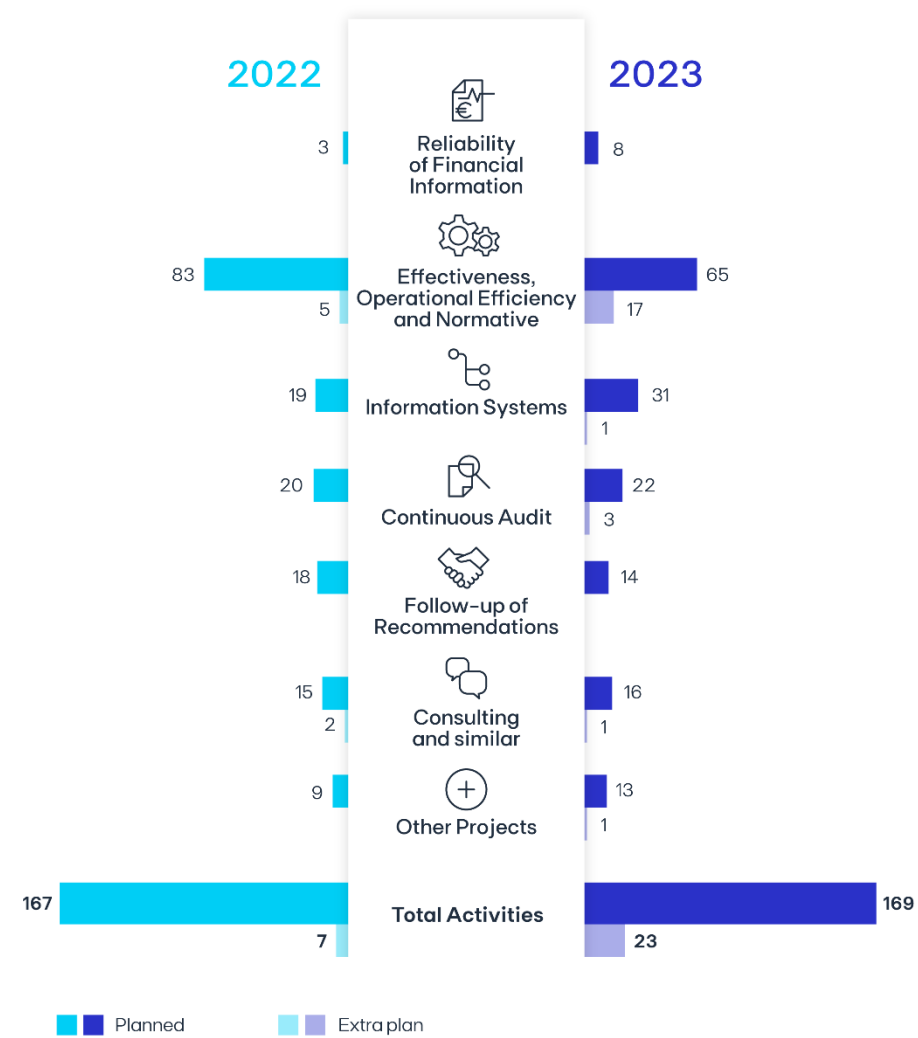
The activity plan for 2023, which included an objective of 130 audit works and 29 consulting and other projects, underwent some changes, with 23 works being included that were not initially planned. As of December 31, 2023, 176 works had been completed or were in the final stages of completion, resulting in a completion rate of 116% compared to the objectives set for the year.



### Audit works by type (%)



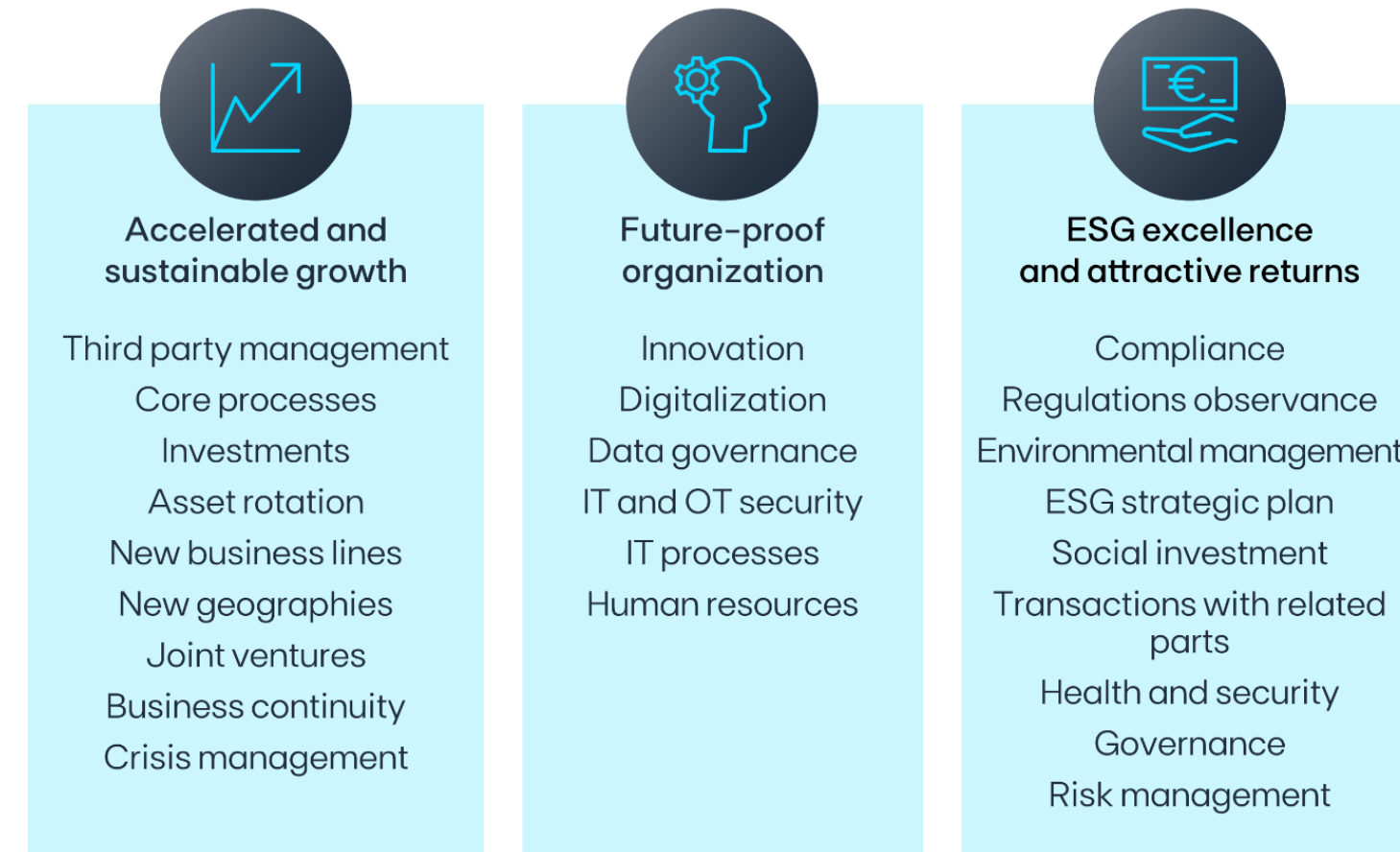
The fulfilment of the plan encompassed 37 Entities/Business Areas audited in the different geographies where EDP Group is present, and a set of important works aligned with the Group's Strategic Plan were executed.



### Areas covered by Internal Audit works

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

The main areas covered by the Internal Audit works distributed by the respective strategic pillars are presented below.



### Internal quality indicators

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

The level of quality and satisfaction of internal clients was on average 4.7 (on a scale from 1 to 5)

## Recommendations

In the 176 works concluded throughout 2023, 725 recommendations were issued, which gave origin to implementation plans drawn up by the corresponding interlocutors and supervised by the respective Managers/Directors of the Corporate Centre, which are monitored quarterly by the Internal Audit.

The table below details the recommendations issued by type.

### Type of the recommendations issued in 2023

TYOLOGY	EMITTED IN 2023	%	EMITTED IN 2022	%
Operational	529	73%	584	66%
Procedural	132	18%	155	17%
Regulation observance	64	9%	147	17%
<b>Total</b>	<b>725</b>		<b>886</b>	

## Other activities and projects

During 2023, other projects and activities were developed, in particular:

- the advisory role in defining the delegation of competences applicable to the activity carried out by Global Energy Management.
- the start of the ACL upgrade project, as a tool to support auditing work.
- the definition of requirements for the implementation of a transversal tool for all the Group's Internal Audit with a view to digitising management processes and monitoring the Internal Audit's activity plan, recording hours, and following up on recommendations.
- the implementation of a Power BI dashboard that tracks the activity plan and strategic plan, the follow-up of recommendations issued by the Internal Audit and the execution of the Internal Audit's quality programme.
- the development of a protocol for action in the case of new investments in companies or entry into new geographies.
- the implementation of a competency model and individual development plan.

# Why we choose future



Solar Park, Brazil

## 05 Human resources

Number of employees	21
Professional qualifications	21

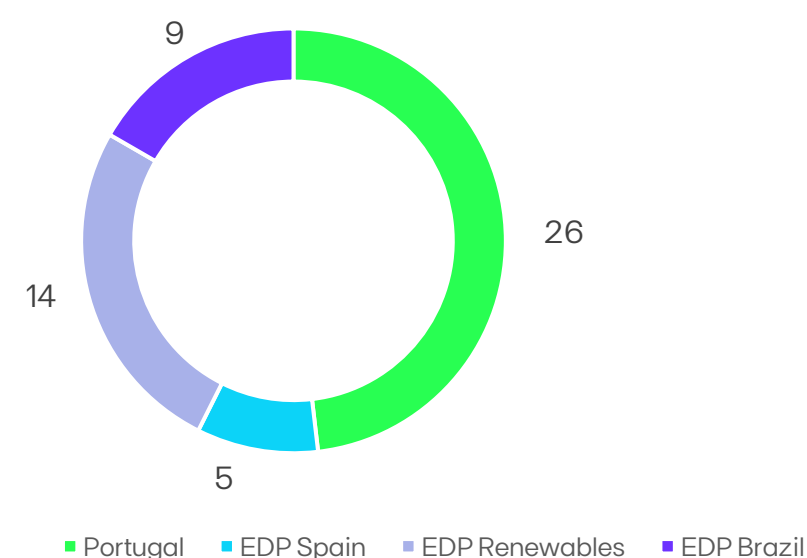
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# Human resources

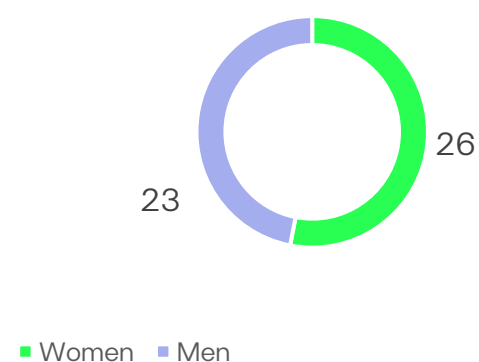
## Number of employees

In 2023, the size of the Group's Internal Audit increased by around 10% compared to 2022, to a total of 54 employees, with an average age of 39. The distribution of the number of employees by geography is shown in the following graph:

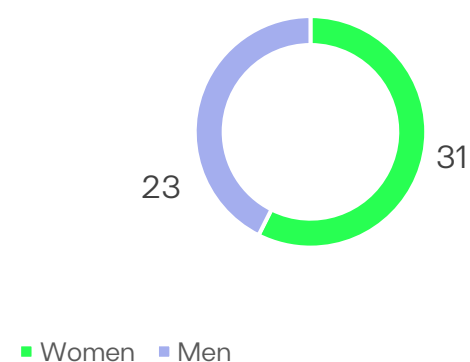
### Number of employees per geography



### Distribution of employees per gender (2022)



### Distribution of employees per gender (2023)



Throughout 2023, 8 new employees were recruited, and 3 employees departed, whose distribution by geography and by recruitment sources/destinations is illustrated below.

Additionally, during 2023, the Internal Audit area in Portugal kept its policy of giving recently graduated students the opportunity for their first contact with the real business world resulting in the hiring of some interns from outside the Group.



## Professional qualifications

One of the basic principles for all Internal Audit employees is to fulfil the objective of continuous training, with a view to updating their knowledge of the subjects and techniques needed to carry out their work with quality.

The total number of training hours, from internal and external sources, for Internal Audit employees in all geographies (Portugal, EDP Spain, EDP Renewables and EDP Brazil) in 2023 was 2,860 hours versus 1,401 hours in 2022. The average number of training hours per employee was 55 hours in 2023 (30 hours in 2022).

## Training summary table 2023

TRAINING FIELD	TRAINING AREA	TOTAL	%
BEHAVIORAL		205	7%
	Leadership	180	
	Emotional intelligence	25	
ORGANIZATIONAL		342	12%
	Welcoming sessions	129	
	Focus Group	107	
	Institutional	70	
	Human resources	36	
TECHNICAL		2,313	81%
	COSO	653	
	IPAI / IIA	299	
	ACL software	225	
	ESG	170	
	Energy business	140	
	AGILE methodology	138	
	Information systems	129	
	Internal audit and risk management	102	
	Languages	77	
	Safety at work	63	
	Cybersecurity	61	
	Compliance	60	
	Internal Audit tools	51	
	Internal Audit report template	48	
	Artificial intelligence	46	
	Others	51	
<b>Total</b>		<b>2,860</b>	

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

## Professional qualifications summary table 2023

QUALIFICATION	EMPLOYEES
MBA	Concluded: 7 employees In training: 2 employees
Master or Post- Graduation	26 employees (mainly in Management and Finance)
CIA certificate	Concluded: 6 employees Close to conclusion: 1 employee
Additional certificates	CISA: 3 employees "EFR" model: 4 employees ISO 27001Lead auditor: 2 employees ISO 20000: 1 employee COSO: 2 employees ROC: 2 employees ITIL Foundations: 4 employees Certified accountant: 3 employees CISM: 1 employee CFE: 1 employee Executive Program of Big Data & Business Analytics: 1 employee

# Why we choose change



Hybrid Park, Portugal

06 Perspectives for  
2024

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# Perspectives for 2024

The plan of activities is structured around areas of interest aligned with the challenges associated with the Group's Strategic Plan, with special attention to new activities, countries, products, and technologies, while maintaining coverage of traditional operational and support processes.

Additionally, it combines coverage of topics of interest for each of the different Internal Audit's present in various geographies, as well cross-Group topics of interest.

The plan incorporates the results of project prioritization, considering inputs from Governing Bodies, Business Units, External Auditors, and Internal Audit. For their execution, resource allocation at the local level is considered, as well as the implementation of cross-geography activities with resources from various locations.

Regarding the subjects covered in the activity plan scheduled for 2024, we can highlight in the operational area:

- the conclusion of activities begun in 2023 in tax governance and investment evaluation, among others.
- the continuity of the realization of audits linked to the growth of the Group's commercial activity, both in Iberia and internationally.
- the development of activities already started in 2023 of crisis management as a relevant and complementary part of the audits carried out in previous years in terms of business continuity.
- the coordination, for the first time, of the internal audits corresponding to the certified systems managed by the Ethics & Compliance area.
- the realization of audits focused on governance and core processes of the Energy Management platform.
- the continuity of audits linked to compliance with relevant risk management policies, as well as other types of resolutions passed by the Executive Board of Directors.
- the development of audits with a specific focus on ESG.
- the extension of our activities in terms of verifying the design and effectiveness of financial reporting controls.

Regarding the information systems area's activity plan, it has a special focus on the recurring IT and OT audits of external service providers contracts from a cybersecurity perspective, audits related to IT and OT facilities management and the use of new technologies such as artificial intelligence. In 2024 it is planned to conduct OT audits in APAC and IT audits in OW, as well as monitoring the evolution of APAC's IT area. It also includes the initiative to follow up the reorganization of the EDP Group's systems area with a special focus on cybersecurity and the organization of the different business platforms in line with the Group's Strategic Plan.

The continued expansion of the scope of continuous access management audits, which began in 2022 with the inclusion of new applications and integration of the 7keys project, the start of the continuous audit refactor project, co-led by Internal Audit and DGU and which will continue until 2025, and the completion of the ACL upgrade project and generalization of its use by Internal Audit teams, will be other projects to be carried out.

In 2024, the Group's new Internal Audit Strategic Plan will be launched, structured around 4 areas of activity: technology, methodology and quality, organization, and human resources, and informed/aligned with the business, which will allow it to continue advancing in the development and optimisation of its activity from a perspective of continuous improvement, where we can highlight the following initiatives for 2024:

- the adaptation of Internal Audit activity to the Global Internal Audit Standards, published by the Global IIA in January 2024.
- the adaptation of Internal Audit's organisational structure to the Group's organisational evolution and the consequent need to adapt reporting processes and mechanisms.
- the continuation of the digitalisation plan, which includes updating the support infrastructure for continuous audits and implementing the new tool for managing the activity plan, following up on recommendations and recording hours.

