Materiality Process
EDP Group | 2023

Sustainability Global Unit

February 2024

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

What is the purpose of Materiality?

1. It identifies critical topics[1] and sensitive issues[2] for the business

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

3. It focuses on what is important to report

It guides the drafting of the Sustainability Report

It guides the reporting of non-financial performance

It supports the response to ESG indexes

2. It supports the definition of the Sustainability strategy

It supports the process of revising the sustainability strategy

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

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

It determines a ranking of relevant topics by shareholder group
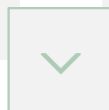
Material Topics affect the company's value creation and, simultaneously, have a positive or negative impact on its shareholders

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

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

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

The process of analysis of the EDP group's materiality is carried out, every two years, using a transversal methodology, common to the whole EDP group[1]

Step 1 — Updating the List of Themes
Based on interconnecting sources and the previous year's process

Step 2 — Prioritization of themes based on their importance to society
Identification of the relevant themes for each group of stakeholders and the impacts on society or the environment

Through the analysis of:

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

Step 3 — Prioritizing themes for their relevance to the business
Identifying topics significant for the business and its financial impact as risks or opportunities[2]

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

Step 4 — Construction of the materiality matrix
Interconnecting the relevance of themes for society and for business
Elaboration of the Corporate matrix
Elaboration of the matrices for each Business Unit and validation by the Board of Directors

Step 5 — Analysis of critical themes and sensitive themes
The company analyses the results of the process that it uses for:
- Defining its sustainability strategy
- Critical topics — to direct internal management as efficiently as possible
- Sensitive issues — internal analysis and definition of plans of action

(1) EDP Group's materiality process is also applied to EDP Renováveis;
(2) Risks and opportunities: See more in Appendix III – Risk Assessment of EDP Group
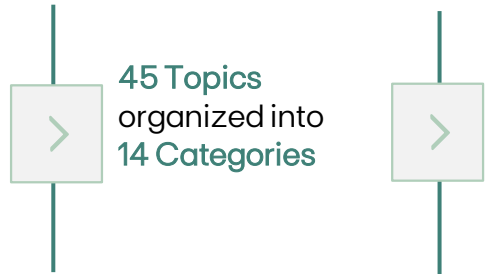
2023 list of topics was updated. The topics and categories were aligned with the ESRS Standards

edp

LIST OF TOPICS

The list of topics for 2023 was updated, to incorporate the Business Plan for 2023-2026. An alignment with the CSRD was initiated, relating the topics and categories of 2022 with those of the ESRS Standards, as shown in the Glossary, in the appendices

> **45 Topics** organized into **14 Categories**

Governance

1. Business conduct
2. Sustainable finance
3. Innovation and digital transformation

SOCIETY AXIS

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

> **More than de 300 Sources** analysed
>
> **63 Companies** in which benchmarking was done

Environment

4. Climate change
5. Pollution
6. Water and marine resources
7. Biodiversity and ecosystems
8. Circular economy

BUSINESS AXIS

Strengthening:

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

In 2023, the business axis was updated with the Business Plano 2023-2026

> **120 People** involved

Social

9. Human rights
10. Own workforce
11. Supply chain
12. Affected communities
13. Consumers and end-users
14. Safety and crisis management

4

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

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

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

ANALYSIS PROCESS | Recovery and consolidation of the information identified

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

BUSINESS AXIS | Identifying topics significant for the business

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

ANALYSIS PROCESS | Recovery and consolidation of the information identified

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

Materiality Matrix presented in the 2023 Integrated Annual Report

Relevance to society (y-axis)
Relevance to business (x-axis)
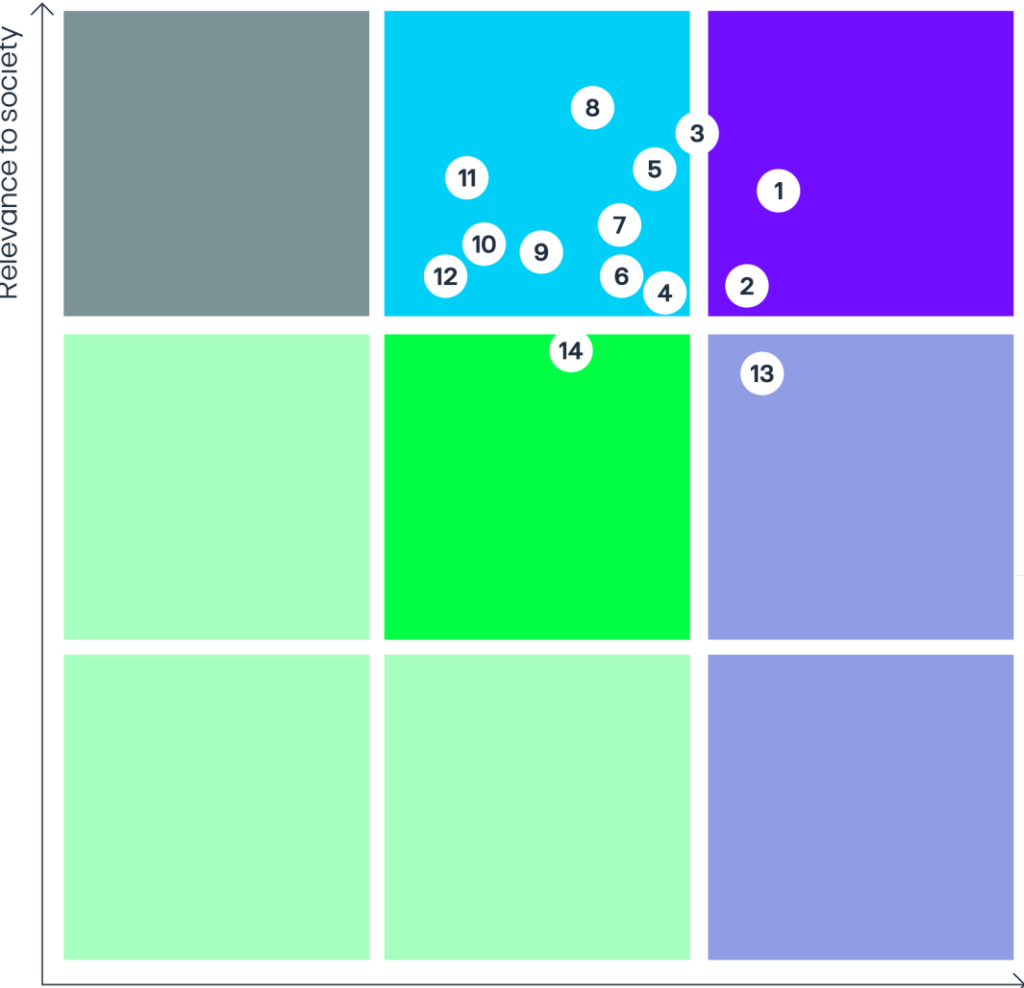
1. Climate Change
2. Supply chain
3. Biodiversity and ecosystems
4. Circular economy
5. Affected communities
6. Innovation and digital transformation
7. Health, safety and crisis management
8. Pollution
9. Energy consumers and end–users
10. Business conduct
11. Water and marine resources
12. Human Rights
13. Sustainable finance
14. Own workforce

Legend:
- Sensitive issues for the business
- High relevance to society
- Critical issues
- Low relevance
- Medium relevance
- High relevance to the business

Material topics highlighted in the assessment

1. **Climate Change** — Climate change stands out for its high relevance to both society and business. This emphasis aligns with the global concern regarding this issue and is intricately integrated in the strategy of EDP. This overarching theme encompasses three key issues: (1) adaptation to climate change; (2) mitigation, involving decarbonization solutions, such as sustainable mobility and energy efficiency; and (3) the promotion of renewable energies.

2. **Supply Chain** — The growing relevance of the topic for business and society is due to the increased importance given to environmental criteria within the supply chain, namely the reduction of CO_2 emissions in the context of decarbonisation, in light of global goals. Additionally, under the external pressures from the market and regulations, equipment traceability has emerged as a key factor in avoiding and mitigating indirect risks related to social and environmental concerns.

3. **Biodiversity and ecosystems** — The new Global Biodiversity Framework elevates the urgency of halting biodiversity loss and preserving the ecosystem services provided by nature. Companies need to accelerate their efforts to assess biodiversity and ecosystemrelated impacts and dependencies, manage associated risks, and adopt a net gain approach. Their strategy and business model should be adjusted accordingly. Prioritizing actions to avoid, mitigate, restore, and compensate is essential for fostering responsible business practices.

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

Columns (sustainability issues): Climate change, Pollution, Water and marine resources, Biodiversity and ecosystems, Circular economy, Business conduct, Own workforce, Supply chain, Affected communities, Energy consumers and end-users, Human Rights, Innovation and digital transformation, Health, safety and crisis management, Sustainable finance

Market
- Shareholders, Investors
- Financial entities
- Competition

Democracy
- Government, Public entities, Regulation
- Political parties
- International institutions

Social and Territorial Environment
- NGOs
- Local communities
- Local government
- Media, Opinion makers

Value Chain
- Scientific community
- Customers
- Suppliers
- Employees

Main topics

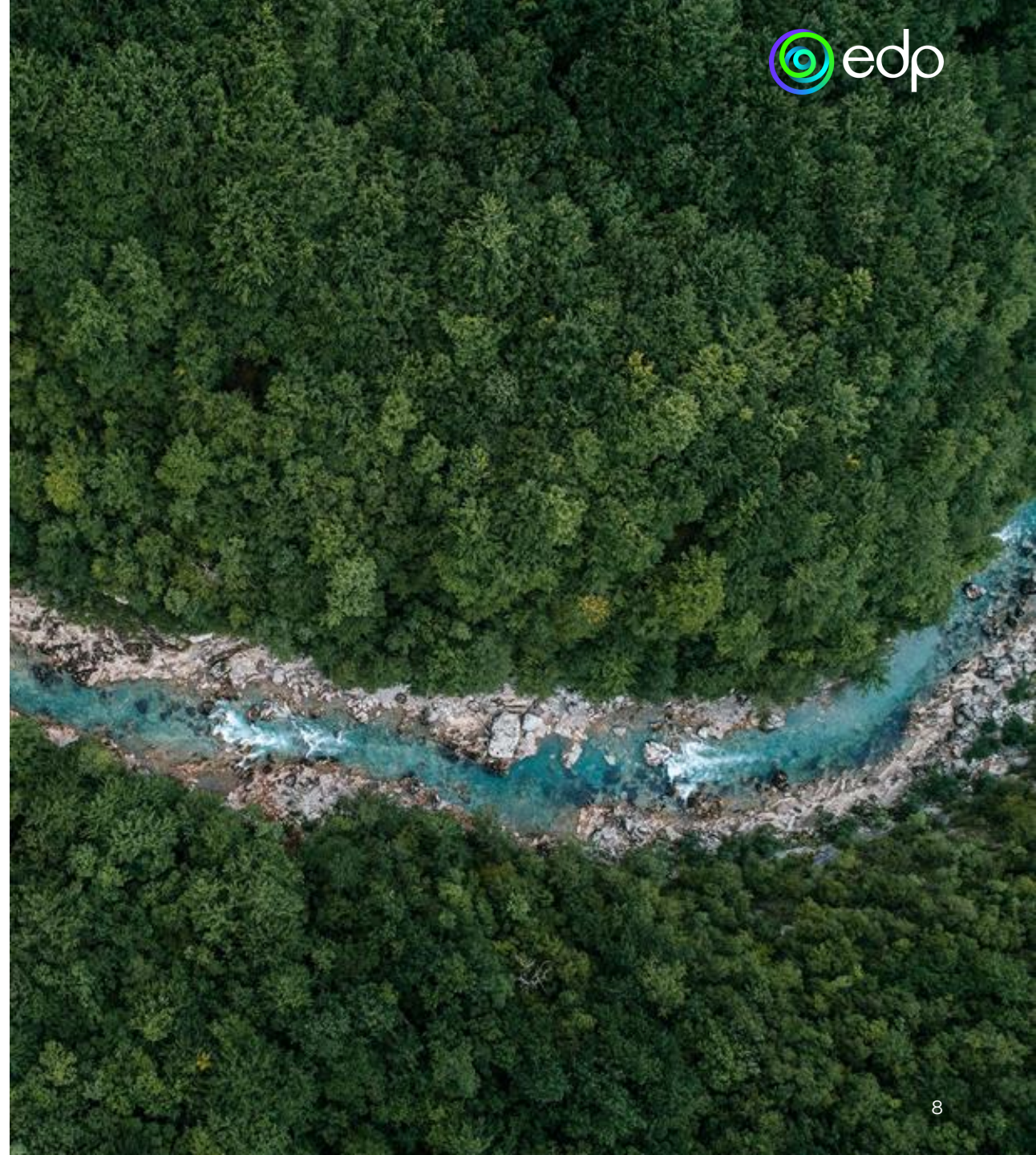1. Climate Change
   - Adaptation
   - Energy

2. Sustainable Finance
   - Creation of long-term value

3. Innovation and digital transformation
   - Development of innovative technologies

Relevance level: ● High ● Medium ● Low

APPENDICES

01   Glossary – List of Material Topics

02   Sources Consulted

03   Risk Assessment of EDP Group

01

Glossary – List of Material Topics

Glossary – List of Material Topics

ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
E1	**Climate change**	Climate change adaptation	Enviromental	Capacity to prevent, respond to, and repair damage resulting from the effects of climate change, while simultaneously taking advantage of the opportunities that may arise and addressing physical risks, which are mostly local and specific. Creating climate-resilient cities. Mitigation of the impacts of climate change.	Climate change	Climate Change Adaptation
		Energy	Enviromental	Strategy and mechanisms to minimize the company's contribution to climate change, such as risk assessment, energy efficiency measures, avoided emissions, carbon footprint, CO_2 capture and storage projects, etc.	Promotion of Renewable Energy	Promotion of Renewable Energies
		Energy	Enviromental	Measures to improve the company's energy efficiency, namely the reduction of the energy needs of buildings, transportation, production processes, equipment, etc. Development of energy efficiency initiatives among company stakeholders, including replacement of equipment or education/awareness actions.	Energy Efficiency	Energy efficiency
		Energy	Enviromental	Initiatives that promote distributed or decentralized generation, such as the use of small energy sources near the end consumer, which can be connected to any low voltage grid point.	Energy Infrastructures	Distributed/Self-consumption generation
		Climate change mitigation	Enviromental	Climate change mitigation initiatives, specifically the definition of a strategy and actions implemented by the company for the development of renewable energies, considering indicators such as MW of clean energy projected or tons of CO_2 avoided through the use of renewable energies.	Climate change	Climate Change Mitigation
		Climate change mitigation	Enviromental	Ability to respond to society's needs to move freely, access, communicate, transact, and establish relationships, without sacrificing other human or ecological values now and in the future. Electrification of transports, including the availability and evolution of the various technologies for electrical mobility and also the charging network and products and services available.	Sustainable Mobility	Electric mobility
		Climate change mitigation	Enviromental	Promoting the reduction of CO_2eq emissions in the supply chain Supplier training and involvement initiatives, admission criteria based on carbon footprint, supplier commitment to reduction targets, selection of products and services based on their footprint	Supplier Management	CO_2 in the supply chain

Glossary – List of Material Topics

ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
				MATERIAL TOPICS 2023	**MATERIAL TOPICS 2022**	
E2	**Pollution**	Pollution	Enviromental	Actions to prevent pollution, such as, atmospheric emissions (CO_2, SO_x, NO_x, etc.); water management and waste management. Including emissions of any substances and/or materials used in operations and/or present in products that represent a substantial or potential threat to public health or the environment.	Environmental Management	Prevention of pollution
E3	**Water and marine resouces**	Water and marine resources	Enviromental	Identification and evaluation of the dependencies and impact of the business on the availability and quality of water resources. The existence of actions to avoid or mitigate these dependencies and impacts, and the definition of objectives and goals that ensure the continuous monitoring of the company's performance. This management encompasses, among others, risks associated with the location of assets in water stress zones, competing uses, regulatory alterations and water management in the supply chain.	Environmental Management	Water management
E4	**Biodiversity and ecosystems**	Direct impact drivers of biodiversity loss	Enviromental	Act in a way that protects the environment and restores natural habitats and the various services and functions that the ecosystems provide (such as food and water, thermal regulation, soil formation and recreational opportunities). The main aspects include the valuing and protection of biodiversity; valuing, protecting and restoring ecosystem services; sustainable use of natural resources and environmentally appropriate rural and urban development.	Environmental Management	Protection of biodiversity
E5	**Circular economy**	Circular economy	Enviromental	Promotion of a transition to an economy efficient in the use of resources and materials, taking into account a complete life cycle analysis of products and services associated with their value chain. Consumption of natural resources at a rate equal to or less than their natural replenishment rate. It includes topics related to materials management, namely the use, reduction, reuse, and recycling of materials and resources in operations, activities, and products.	Environmental Management	Circular economy
		Resource outflows related to products and services	Enviromental	Customers choose products that use fewer natural resources in their production, that guarantee decent employment conditions for those who produce them, and that will be easily reused or recycled. This means buying what is really necessary, extending the working life of products as much as possible. Examples are products and services that make it possible to reduce CO_2 emissions (green tariff; electric mobility), or reduce consumption of raw materials (as-a-service).	Satisfaction and Customer Service	Sustainable consumption

Glossary – List of Material Topics

ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
				MATERIAL TOPICS 2023	**MATERIAL TOPICS 2022**	
G1	**Business conduct**	Communication and transparency	Governance	External pressure to communicate more and better (and more transparently) the company's performance in the various areas of sustainability. Openness to society, with greater willingness to share information with all the company's stakeholders.	Communication and Transparency	Communication and Transparency
		Corruption and bribery	Governance	Measures established to avoid and minimize risks associated with illegal conduct (corruption, conflict of interests, fraud, money laundering, embezzlement, concealment and obstruction of justice, influence peddling) of employees and/or company representatives.	Ethics and Compliance	Risk of Corruption/ Bribery/ Fraud/ Money laundering
		Political engagement and lobbying activities	Governance	Not using undue influence with parties and public policies, avoiding behaviors such as manipulation, intimidation and coercion, which may negatively influence the public political process.	Ethics and Compliance	Responsible political involvement
		Protection of whistle-blowers	Governance	Effective mechanisms to report unethical or illegal behaviors for the different groups of stakeholders. Existence of a code of ethics/conduct.	Ethics and Compliance	Efficient and confidential complaint management
		Fiscal transparency	Governance	Broader clarification of the regulatory risks of subsidies obtained by the company and the rates to which the business is subject and/or exempt. Importance of the impact of regulatory changes on the company's financial/operating performance.	Communication and Transparency	Fiscal Transparency
		Fair competition practices	Governance	Encouraging innovation and efficiency through fair and generalized competitive practices, allowing for a reduction in the costs of products and services. Ensure that all organizations have equal opportunities by encouraging the development of new or improved products or processes that, in the long run, can improve economic growth and living standards. Respect for the rules of healthy competition in the context of product/service promotion, based on factors such as price, quality and service.	Ethics and Compliance	Fair competition practices
		Corporate Culture	Governance	Refers to the set of rules and principles governing the design/structure, integration and operation of the company's governing bodies. Based on the pillars of independence and separation of skills and the diversity of the company's corporate governance.	Corporate Governance	Structure and operation of corporate governance
		Corporate Culture	Governance	Meaning the set of rules and principles used in defining the fixed and variable pay of the Corporate Bodies, specifically alignment with their performance in the medium/long term. They also include issues related to the ratio between the CEO's compensation and the average of the company's other employees.	Corporate Governance	Evaluation and payments
		Corporate Culture	Governance	Measures to raise awareness and communicate business ethics, both internally and together with service providers.	Ethics and Compliance	Promotion and training of an ethical culture within the organization

Glossary – List of Material Topics

ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
				MATERIAL TOPICS 2023	**MATERIAL TOPICS 2022**	
S1	**Own workforce**	Equal treatment and opportunities for all	Social	Employee training to acquire new skills, widening people's choices and expanding their capabilities. For example, training sessions, career advancement programs, scholarships, and mentoring programs, among others.	People Management	Training and development
		Equal treatment and opportunities for all	Social	Existence of mechanisms to ensure equality and non-discrimination in conditions and opportunities, without distinguishing between gender, age, minority groups or other indicators of diversity.	People Management	Diversity/Equal Opportunities
		Working conditions	Social	Ability to attract new and retain current employees with skills valuable to the organization. Recognition of employee competencies and practices by meritocracy and remunerative justice. Including appropriate remuneration and recognition, and management of human capital.	People Management	Attracting and retaining talent
		Working conditions	Social	Mechanisms to guarantee high levels of satisfaction by employees, as well as the efficient management of their claims.	People Management	Employees satisfaction
		Working conditions	Social	Initiatives that promote reconciliation of work with family life, such as teleworking, timetable flexibility, additional measures for paternity/maternity leave, workplace flexibility, continuous workdays, mobility and transportation solutions for employees, among others.	People Management	Measures for social conciliation and protection
		Working conditions	Social	Initiatives to attribute compensation and benefits to employees, including financial and/or non-financial compensation, such as remuneration policies and programs, pension plans, and health care, among others.	People Management	Rewards and benefits
		Working conditions	Social	Management of the relationship between employee and employer and the legal rights that regulate this relationship. Examples are: the existence of and relationship with unions, collective work agreements, working conditions, workplace practices, freedom of association and trade union negotiations, among others.	People Management	Employment rights
		Working conditions	Social	Stability in employment and measures to minimize the negative impact of potential relocations or restructuring. Including reorganizations, turnover and outsourcing. Unemployment and impacts of the pandemic crisis.	People Management	Stability in employment

Glossary – List of Material Topics

		MATERIAL TOPICS 2023			MATERIAL TOPICS 2022	
ESRS	**CATEGORY 2023**	**TOPIC 2023**	**PILLAR**	**DESCRIPTION**	**CATEGORY 2022**	**TOPIC 2022**
S2	**Supply chain**	Management of relationships with suppliers including payment practices	Social	Ensure that the price, the technical proposal and commercial conditions are not the only factors in the selection of suppliers. The suppliers' sustainability practices should be valued in comparing product and service offers (occupational accidents, environmental management, ethics, and social responsibility). Existence of supporting measures for suppliers with respect to procurement practices and compliance with contractual conditions in order to ensure a stable relationship. Payment policy, relationship stability, co-operation, reliability, and competitive ethics define the relationship with suppliers. Health and safety/wellness measures necessary to minimize risks that may affect suppliers or subcontractors in the course of their work.	Supplier Management	Selection and relationship with suppliers
S3	**Affected communities**	Communities' economic, social and cultural rights	Social	Development of voluntary initiatives with the community that respond to its needs from a shared-value perspective. Including corporate volunteer activities, as well as other measures related to culture, education and awareness, donations, investments in the community, and commercial initiatives such as sponsorships, support to universities or other institutions.	Community Engagement	Community development
		Fair energy transition	Social	Transition to a fair, low-carbon, sustainable energy system (from electricity generated from coal to renewable energy sources), which ensures that fairness is considered, particularly for communities and workers, benefiting from a wider-scale critical reflection and systematic analysis of the dimensions and wider implications of the interconnections between global energy transition and justice in the context of the approaches towards low-carbon development.	Community Engagement	Fair Energy Transition
		Communities' civil and political rights	Social	Acting responsibly in the compensation of business externalities, impacts generated in society and the environment. Including measures that aim to manage the relationship and rights of the communities, as well as the potential impact on them due to the company's activity. Valuing the involvement of the community, and responding to their needs, favoring partnerships with local organizations and stakeholders. Support to local economic and social development.	Community Engagement	Impact Management in local communities

Glossary – List of Material Topics

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ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
S4	**Consumers and end-useres**	Information-related impacts for consumers and/or end-users	Social	Safeguarding customer privacy rights by limiting the type of information collected and the ways in which such information is obtained, used and maintained securely and meeting the necessary requirements of confidentiality and information protection.	Ethics and Compliance	Information Privacy
		Information-related impacts for consumers and/or end-users	Social	Improved satisfaction by providing exceptional service and care. Clear and easily understandable communication in customer contracts; providing clear information on prices, characteristics, terms, conditions, costs, duration of the contract, and cancellation periods. Communication of energy bills. Engagement with customers and collection of feedback.	Satisfaction and Customer Service	Satisfaction and Customer Service
		Information-related impacts for consumers and/or end-users	Social	Mechanisms and channels that allow adequate transmission and management of complaints by customers.	Satisfaction and Customer Service	Complaint and claim management
		New energy services	Social	Providing new energy services that can meet the needs/expectations of customers.	Satisfaction and Customer Service	New energy services
		Personal safety of consumers and/or end-users	Social	References to the health and safety risks related to the use of products and/or services. Including issues such as customer health and the safe use of products.	Satisfaction and Customer Service	Safety of products and services
		Energy prices	Social	Perception of fair price, clarification of price breakdown (greater transparency).	Satisfaction and Customer Service	Energy prices
		Quality of technical service	Social	Measures to maintain a reliable and good-quality electricity supply according to indicators such as ICEIT (Installed Capacity Equivalent Interruption Time).	Energy Infrastructures	Quality of technical service
		Social inclusion of consumers and/or end-users	Social	Mechanisms/measures that allow exceptional treatment in the case of vulnerable customers, meaning, families unable to bear the energy costs that allow them an appropriate level of comfort, in particular, to properly heat their homes or to meet other energy services at an acceptable cost.	Vulnerable Customers	Energy poverty
		Social inclusion of consumers and/or end-users	Social	Mechanisms to ensure access to energy for all customers, regardless of where they live. Promote network expansion to guarantee access to energy, but also provide good quality service conditions without discrimination.	Community Engagement	Access to energy

Table header spanning: MATERIAL TOPICS 2023 (ESRS, CATEGORY 2023, TOPIC 2023, PILLAR, DESCRIPTION) | MATERIAL TOPICS 2022 (CATEGORY 2022, TOPIC 2022)

Glossary – List of Material Topics

ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
				MATERIAL TOPICS 2023	**MATERIAL TOPICS 2022**	
-	**Human Rights**	Human Rights	Social	Mechanisms that ensure there is no distinction, exclusion or preference, which restricts equal treatment or opportunities. Processes that make it possible to identify and prevent real or potential impacts on human rights, resulting from EDP's activities, throughout its value chain. Includes: (1) the existence of a human rights policy and its integration throughout the organization; means of evaluation; means of tracking performance and actions to address the negative impact of company decisions and activities.	Human Rights	Respect and promotion of human rights
		Rights of indigenous communities	Social	Respect and inclusion of the rights of indigenous communities in the construction of new projects, particularly when these involve the displacement of these communities or have an impact on their territory. Involvement of the indigenous communities impacted by the projects, in decision-making and the definition of measures developed by the company.	Community Engagement	Respect for indigenous communities
-	**Innovation and digital transformation**	Agreements for cooperation, financing and dissemination of research	Governance	Measures to foster research through project co-operation and financing agreements, contributing to the development of knowledge, skills and technology (e.g. smart metering, electric mobility, improvements in generation efficiency, demand management research and improvements in accumulation energy, research and innovation in products, collective agreements, university chairs, etc.).	Digital Transformation and Innovation	Agreements for cooperation, financing and dissemination of research
		Development of innovative technologies	Governance	Measures to encourage research into innovative technologies, namely intelligent networks; production of energy from renewable sources, such as off-shore wind, photovoltaic and wind power in decentralized production.	Digital Transformation and Innovation	Development of innovative technologies
		Digital inclusion	Governance	Promotion by the company of its stakeholders' ability to access, understand and use the channels of digital communication and technologies, namely (employees, customers, suppliers, etc.). Including issues such as digital literacy and global coverage of digitalization.	Digital Transformation and Innovation	Digital inclusion
		Digital Transformation	Governance	Integration of digital technology in all areas of the company, resulting in changes both in the way it operates and in creating value for customers. This also includes a cultural change and process change, capable of managing digital challenges and opportunities.	Digital Transformation and Innovation	Digital Transformation

Glossary – List of Material Topics

		MATERIAL TOPICS 2023			MATERIAL TOPICS 2022	
ESRS	CATEGORY 2023	TOPIC 2023	PILLAR	DESCRIPTION	CATEGORY 2022	TOPIC 2022
-	Safety and crisis management	Infectious Diseases	Social	Rapid and massive spread of infectious diseases. Bacteria, viruses, parasites or fungi that cause the uncontrolled spread of infectious diseases that lead to widespread fatalities and economic disruption, such as the COVID-19 pandemic.	Crisis Management	Infectious Diseases
		Critical supplies	Social	Ensure vital supplies for the maintenance of operations, and the provision of energy service / supply to customers. Resilience in the supply chain, ensuring business continuity.	Crisis Management	Critical supplies
		Critical infrastructure	Social	Ensure that the essential assets and services provided maintain their functioning in a crisis situation. Ensure that there are plans and an emergency response and conditions to implement them.	Crisis Management	Critical infrastructure
		Occupational illnesses and diseases	Social	Promote the implementation of measures to eliminate or minimize the occurrence of occupational incidents and illnesses with employees, service providers and third parties, which may be affected by the normal undertaking of EDP's activities. This includes environmental aspects (air quality, noise, lighting, ergonomic aspects) and facility security (fire protection, emergency response plans).	Safety	Occupational illnesses and diseases
		Physical safety in the facilities	Social	Concern about security aspects of the public and the communities surrounding the company premises. Associated with concerns with local communities, in particular, emergency response concerns related to all aspects.	Safety	Physical safety in the facilities
		Information Security	Social	Ensure a set of measures necessary to guarantee the confidentiality, integrity and availability of information, both for the company and for its customers. Ensure an adequate response in emergency situations, such as cyberattacks.	Crisis Management	Information Security
		Promotion of occupational health	Social	Prevention of medical aspects associated with work, including health surveillance and promotion of healthy living conditions for workers (nutrition and smoking cessation programs, cardiovascular screening, vaccination programs).	Safety	Promotion of occupational health
		Mental health at work	Social	Ensuring a healthy professional environment promoting the well-being of employees, ensuring a set of intervention guides for the construction of a healthier and more satisfactory working environment.	Safety	Mental health at work
-	Sustainable Finance	Evaluation of the company in terms of its ESG performance	Governance	Differentiation by sustainability performance through measurement approaches based, for example, on sustainability indexes (e.g. DJSI; Sustainalytics; Vigeo; Ethics; CPD; etc.). This may also include other external assessment instruments (e.g. reports, interviews, etc.)	Socially Responsible Investment	Evaluation of the company in terms of its ESG performance
		Creation of long-term value	Governance	Creation of value for its shareholders and for society, from a long-term perspective. Assessment of the direct return on investment generated and return distributed. Includes issues such as long-term growth, direct and indirect impacts, and shared value.	Economic Business Sustainability	Creation of long-term value
		Sustainable financing	Governance	Investments incorporating non-financial issues with the objective of generating financial and sustainable value, such as green investment, impact investing, ethical funds, green bonds / green loans.	Socially Responsible Investment	Sustainable financing
		Solvency and financial management	Governance	References to the financial situation of a company and to its capacity to fulfill long- and short-term financial obligations. This includes aspects related to solvency and financial liquidity, as well as debt management.	Economic Business Sustainability	Solvency and financial management

02

Sources Consulted

Types of sources consulted

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

03

Risk Assessment of EDP Group

Identify risks and opportunities ESG – EDP's corporate risk taxonomy
An important step for crossing materiality matters with ESG risks

1. Strategic & ESG

1.1 Strategic

- Social and political crises
- Competitive paradigm change
- Technological Disruption
- Geopolitical Risks

1.2 ESG

Environmental Risks
- Climate Change
- Nature Loss
- Circular economy

Governance Risks
- Corporate Governance
- Business Conduct & Ethics

Social Risks
- People
- Product & Service Liability
- Communities & Social

Transversal ESG Risks
- Counterparty Selection
- Communication

2. Business

2.1 Energy markets
- Power and commodities prices
- Energy demand
- Renewables gen. volume

2.2 Regulation
- Sector regulation
- Tariff revisions
- Sector charges and taxes
- Changes in concessions
- Changes in norms

3. Financial

3.1 Financial markets
- Exchange rate
- Interest rate
  - Financial costs
  - Capital gains
- Inflation
- Financial assets

3.2 Credit
- Clients
  - B2B
  - B2C
- Counterparties
  - Energy
  - Financial
  - Suppliers

3.3 Liquidity/ solvability
- Wholesale organized markets and exchanges
- Tariff deviations
- Debt redemption/ refinancing
- Short-term funding
- Rating downgrade
- Financial covenants

3.4 Social liabilities
- Pension fund
- Other liabilities

4. Operational

4.1 Physical assets
- Assets under construction/development
  - Project mortality
  - Estimation of project parameters
  - Delay in COD
  - Capex overrun
- Assets in operation
  - Damages and losses
  - Damages to third parties
  - Operational performance
- Asset decommissioning
  - Cost overrun
  - Damages to third parties

4.2 Systems
- End-user and distributed support equipment
- Projects in development
- Systems in operation
- Cyber security & resilience

4.3 Execution of Processes
- Retail processes
- Generation processes
- Grid processes
- Processes in energy and financial markets
- Corporate and Support processes

4.4 Legal & Compliance
- Legal contingencies
- Compliance

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

1 Review of risk taxonomy/ identification of risks and opportunities

2 Definition of climate scenarios

3 Definition of risk variables

4 BUs quantification

5 Consolidation & climate value at risk estimation