



Internal Audit and
Compliance Report
EDP 2018



edp



We love energy.

Energy moves us, unites us, and brings us closer to the world.

We love this energy, the universal language, which comes in all shapes and colors.

Which impels us, motivates us, and challenges us in this story of sharing and of victories.

Which is from the sun, the water, the wind, and the people.

Which transforms, reinvents and creates an increasingly clean, sustainable, and efficient future.

A contagious energy that encourages us to explore, to amaze, and to innovate in a world in constant change.

This is the energy we love.

WE LOVE ENERGY

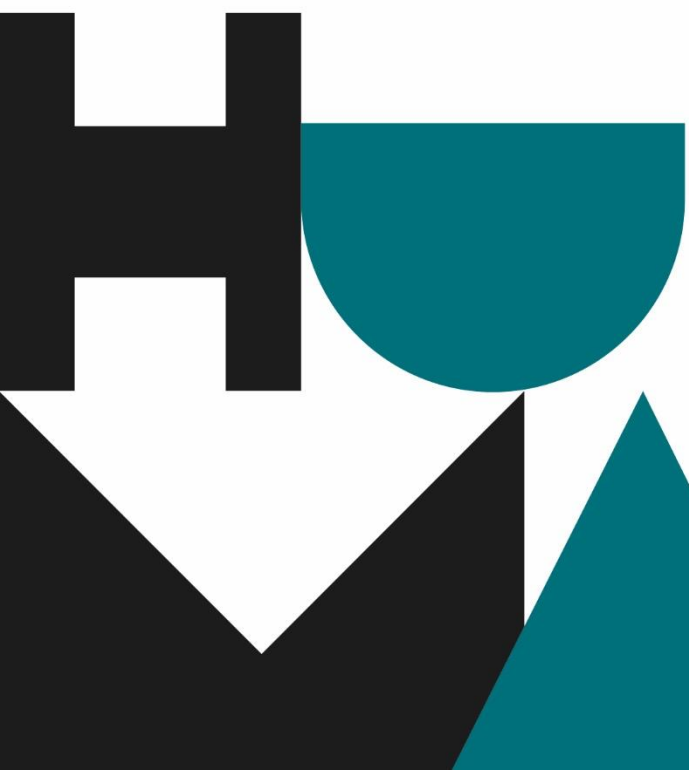


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INDEX

01	MESSAGE	11
02	RELEVANT FACTS	16
03	SUMMARY OF PERFORMANCE INDICATORS	23
04	ACTIVITIES COMPLETED IN 2018	
	Internal Audit	29
	Main Internal Audit Indicators	30
	Internal Quality Indicators	31
	Internal Financial Reporting Control	31
	Compliance	35
	Other activities and projects	38
05	HUMAN RESOURCES	
	Number of employees	45
	Vocational training	46
06	OUTLOOK FOR 2019	
	Internal Audit	52
	Internal Financial Reporting Control	53
	Compliance	54
	Other activities	54





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01 MESSAGE

We wish to share with all our stakeholders the activities carried out by the Internal Audit and Compliance Departments (DAICs) present in the various geographies of the Group. We also want to thank the contribution, collaboration and availability shown by the different teams.

The Activities Plan related to the financial, operational and regulatory audits covered a broad and diverse set of themes, in line with the proposals from the various business areas and supervisory entities of the Group.

In information technology audits, actions were carried out covering several areas of high criticality. Particularly, taking into consideration the ongoing digitalization program in the EDP Group, which has been a leverage for strengthening and growth in business processes, increment of processes / activities analyzed by continuous audit and the expansion of the automation of routines to speed up the monitoring of the Group's information systems. In addition, an IT consulting project was launched to identify and implement the best practices used in the market and in the sector (AI TI 3.0).

The Internal Financial Reporting Control (SCIRF) 2018 evaluation cycle had as main challenges: the follow-up of the evaluation work promoted by the new external auditor; the completion of configuration, training and data migration for the eGRC application, transversally implemented in all geographies of the Group; and the support and supervision of the impact on SCIRF of changes occurred in Group's business. Also, an assessment project to Fundação EDP has been developed.

The Compliance area kept on with the consolidation and deepening of the programs included in the EDP Compliance System, highlighting the work carried out on data protection in the European countries in the context of the effective implementation of the General Data Protection Regulation (RGPD) since May 25, 2018, including monitoring and support in the implementation of adequacy measures, awareness-raising and training, as well as collaboration with the Data Protection Officer in all areas covered by the above-mentioned regulation. Moreover, new initiatives and projects have been developed in other areas, including the development of the EDP Group Integrity Policy and the launching of a specific program on the Prevention of Money Laundering and Terrorism Financing.

Moreover, our teams have participated, in the eticaedp programme, training and support the young interns and participate in the Christmas volunteering program "Campanha de Voluntariado de Natal 2018".

The Activities Plan of the current year, approved by DAIC supervisory entities, includes not only the maintenance of the usual processes but also the implementation of the AI TI 3.0 project, a staff development program in line with the requirements of



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02 RELEVANT FACTS

January

- Approval of the 2018 Activity Plan by the Financial Matters Committee / Audit Committee (CMF/CAUD) and by the Executive Board of Directors (CAE).
- Presentation of the final conclusions of the 2017 SCIRF evaluation to the Business Units.

February

- Presentation of the final report with the conclusions for the 2017 SCIRF to CMF/CAUD and CAE.
- Modeling the SCIRF and Compliance tool (eGRC).
- EDP Group CMF/CAUD meeting.

March

- Issue by the External Auditor of the independent evaluation reports of SCIRF 2017, related to the consolidated and stand-alone accounts of EDP Espanha, EDP Renováveis and EDP Brasil.
- Presentation of the new SCIRF evaluation team to the Business Units.
- Personal data protection communication plan.
- Launch the RGPD e-learning and training sessions.

April

- Closing meetings of 2017 SCIRF cycle and launch the 2018 evaluation cycle, in the Business Units.
- Approval of the Competition Conduct Rules Manual.

May

- Presentation of the 2018 SCIRF scoping model.
- Kick-off of the 2018 SCIRF evaluation project.
- Tests to the eGRC application.
- Analysis of the Fraud Risk Analysis program based on the COSO framework - Fraud Risk Management Guide.
- SCIRF adaptation because of EDP Soluções Comerciais restructuring with impact on EDP Distribuição, EDP Comercial, EDP Serviço Universal and EDP Gás Serviço Universal.
- Designation of the Data Protection Officer (Portugal and EDP Espanha) and creation of contact channels with data holders.
- Governance model approval and cross-cutting methodologies associated to the data protection programme.
- Approval and disclosure of the EDP Group Integrity Policy.
- RGPD implementation.
- Completion of the RPA audit model – Robotics Process Automation
- Launching e-learning about the compliance program for all employees.
- EDP Group CMF/CAUD meeting.

June

- Start of the 2018 SCIRF cycle evaluation tests.
- Training the eGRC application users.
- Launch of the consultation for hiring a consultant to reevaluate the IT Internal Audit model and methodology (AI TI 3.0).
- Integration in the IAM of the GACS and GAR applications within the scope of RGPD.

July

- EDP Group internal audit days at Gerês.
- Launch the Fundação EDP Assessment project

September

- Start of the draft Audit Plan 2019 preparation phase.
- SCIRF data migration to the eGRC application.
- EDP's CAUDs meeting.
- Begin of the real-time analysis (Real Time Audit) of the security breach events in SAP systems.
- Communication and awareness plan for the Integrity Policy.

October

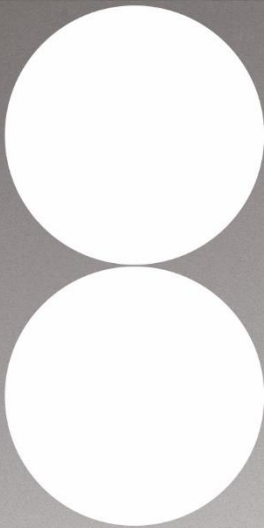
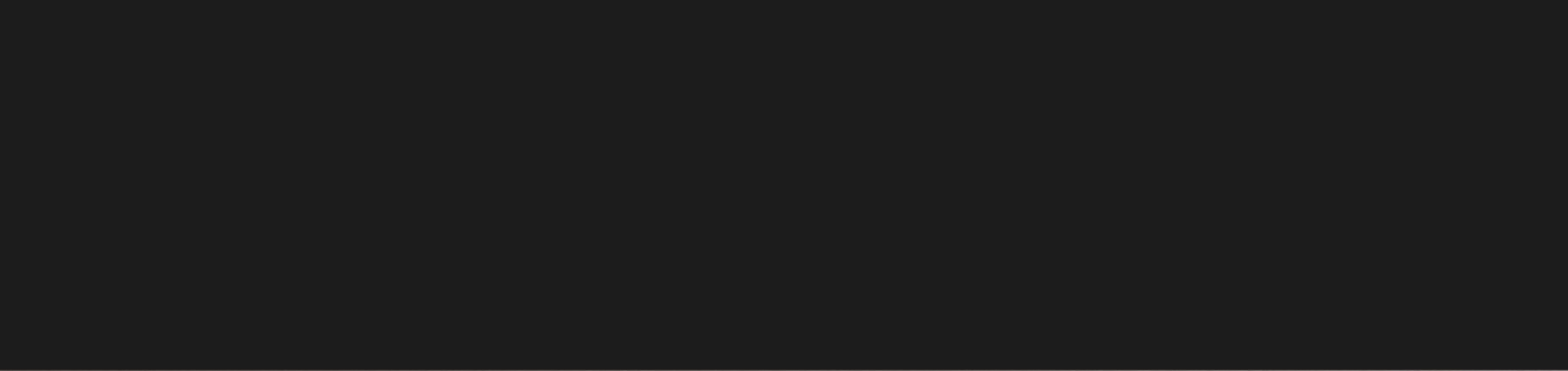
- External Auditor presentation meeting of 2018 SCIRF interim results to the Business Units.
- Consultancy proposal adjudication of the Project AI TI 3.0.
- Launching of the new ethics channel at EDP Brasil.

November

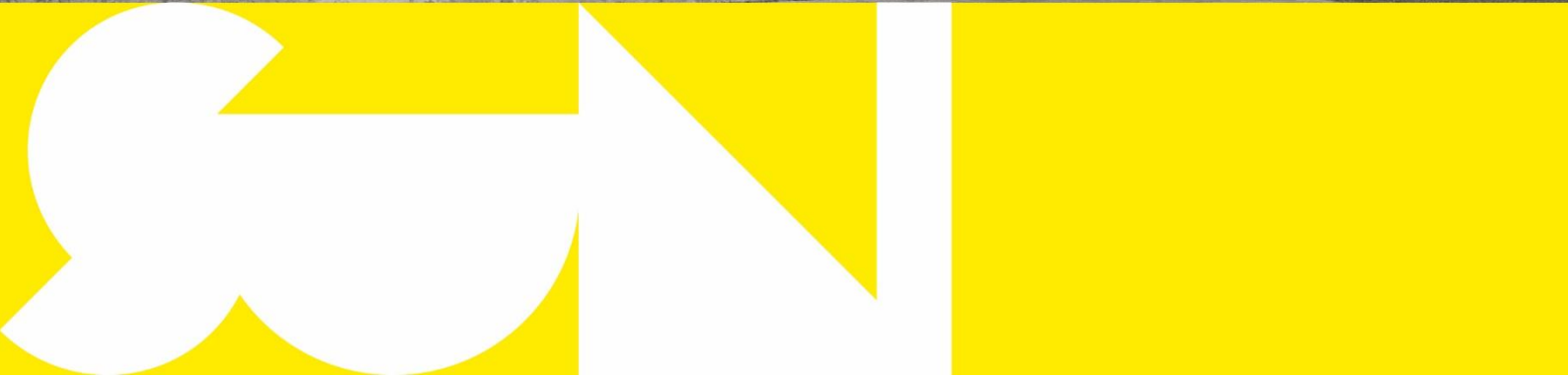
- Launch the 2018 SCIRF self-certification process.
- Dissemination of the RGPD action plans – adequacy of critical business processes (Business Units).
- Beginning of the AI TI 3.0. Project.
- Integration in the IAM of the continuous audit application within the scope of the RGPD.
- Situation status in all Geographies of 2018 SCIRF evaluation.
- Conducting IT audit training action.

December

- Drafting of Activities Plan for 2019.
- Christmas volunteer action "Campanha de Voluntariado de Natal 2018".
- Launching the "The Honesty Project" e-learning (corruption prevention).
- Compliance Management Committee.
- Celebration of the anti-corruption week, with several internal awareness and debate events at EDP Brasil.
- EDP Group CMF/CAUD meeting.



ON A CLEAR





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DAY YOU CAN SEE FOREVER

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03 SUMMARY OF PERFORMANCE INDICATORS

HUMAN RESOURCES

40

Average age

17

Average number of year's professional experience

40

Training hours by auditor

ACTIVITIES

118%

Audits planned vs. completed

147

Num. audits (except SCIRF) completed

583

Num. recommendations issued (except SCIRF)

3,619

Num. SCIRF controls

21

Num. Compliance Specific Programmes

QUALITY/EFICACY

4,8

Level of satisfaction of Internal Audit questionnaires *

4,8

Level of satisfaction SCIRF questionnaires *

4,5

Level of satisfaction of Compliance questionnaires *

* Scale 1 (minimum) to 5 (maximum)

STAY





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04 ACTIVITIES COMPLETED IN 2018

Internal Audit	29
Main Internal Audit Indicators	30
Quality internal indicators	31
Internal Financial Reporting Control	31
Compliance	35
Other activities and projects	38



04 ACTIVITIES COMPLETED IN 2018

4.1. INTERNAL AUDIT

The extension of the Group's activity to new activities, markets and increasing regulatory pressure are two of the main factors with greater impact on the internal audit activity, requiring a review of its scope and methodologies applied from a continuous improvement perspective.

Thus, 2018 served as a consolidation year of performing general diagnoses of areas and companies of the Group, reaching a global view of the degree of internal control in them, which, among other things, allows identifying initiatives with added value for their managers, as well as enrich the level of detail of the activity maps available in DAIC as a basis for identifying priority actions within their annual audit plans.

On the other hand, in 2018 the European Regulation on Personal Data Protection (RGPD) entered into force. It is a rule characterized by the introduction and / or reinforcement of strict requirements, in which the Group invested resources. Internal audit performed several actions started in the second half of the year, affecting some of the most sensitive and demanding aspects of the regulation.

The consideration of the activities carried out by the Compliance area and other areas of second line of defense, the review of the indicators of continuous auditing in commercial and treasury areas, the continuation of internal audits within the scope of the Models of Criminal Legal Risks established in the geographies where criminal liability of the legal entity is established, and the formation of the internal audit team operational in the field of new technologies, are other activities developed during 2018 that are expected to continue in 2019 and next years.

2018 was also marked by the implementation of the re-evaluation project of IT Internal Audit model and methodology (AI TI 3.0), which will allow a new planning and approach model for IT and OT audits.

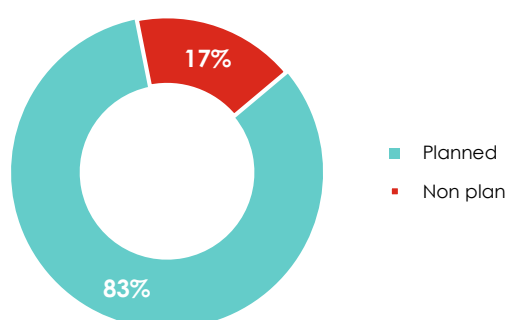
4.2.

MAIN INTERNAL AUDIT INDICATORS

The activities carried out during 2018 were those in the following table:

TYPE OF WORK	PLANNED	NON-PLAN	TOTAL
Reliability of financial information	10	1	11
Efficacy, operational efficiency and standards	53	8	61
Information systems	14	1	15
Continuous audit	9	10	19
Follow-Up	24	0	24
Ethics channel	12	5	17
TOTAL	122	25	147

TYPE OF WORK



Of the 147 tasks carried out during 2018, 583 recommendations were issued. These recommendations gave rise to implementation plans defined by the respective affected areas, which are monitored quarterly by the DAIC.

TYPE	ISSUED IN 2018	
Efficacy and efficiency of operations	400	68,6%
Compliance with internal policies and standards	76	13,1%
Compliance with legislation and legal norms	47	8,1%
Safety	28	4,8%
Reability and integrity of fiscal information	20	3,4%
Service Management	6	1,0%
Application	3	0,5%
Integrity of assets	3	0,5%
TOTAL	583	

4.3.

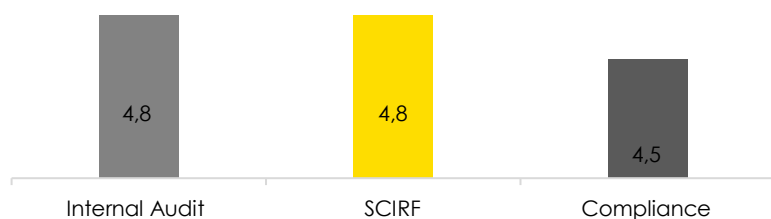
INTERNAL QUALITY INDICATORS

As defined in the EDP Group's Internal Audit Manual, the completed tasks are subject to a quality assessment by the audited company or area, through the completion of a survey classifying the level of quality and satisfaction that it attributes to the respective audits.

In addition, the Compliance and SCIRF areas were also evaluated by the main interlocutors of the Business Units in Portugal.

RESULTS OF SURVEYS

The results of the surveys for each audited area, available by the end of the year, are shown in the following chart:



4.4.

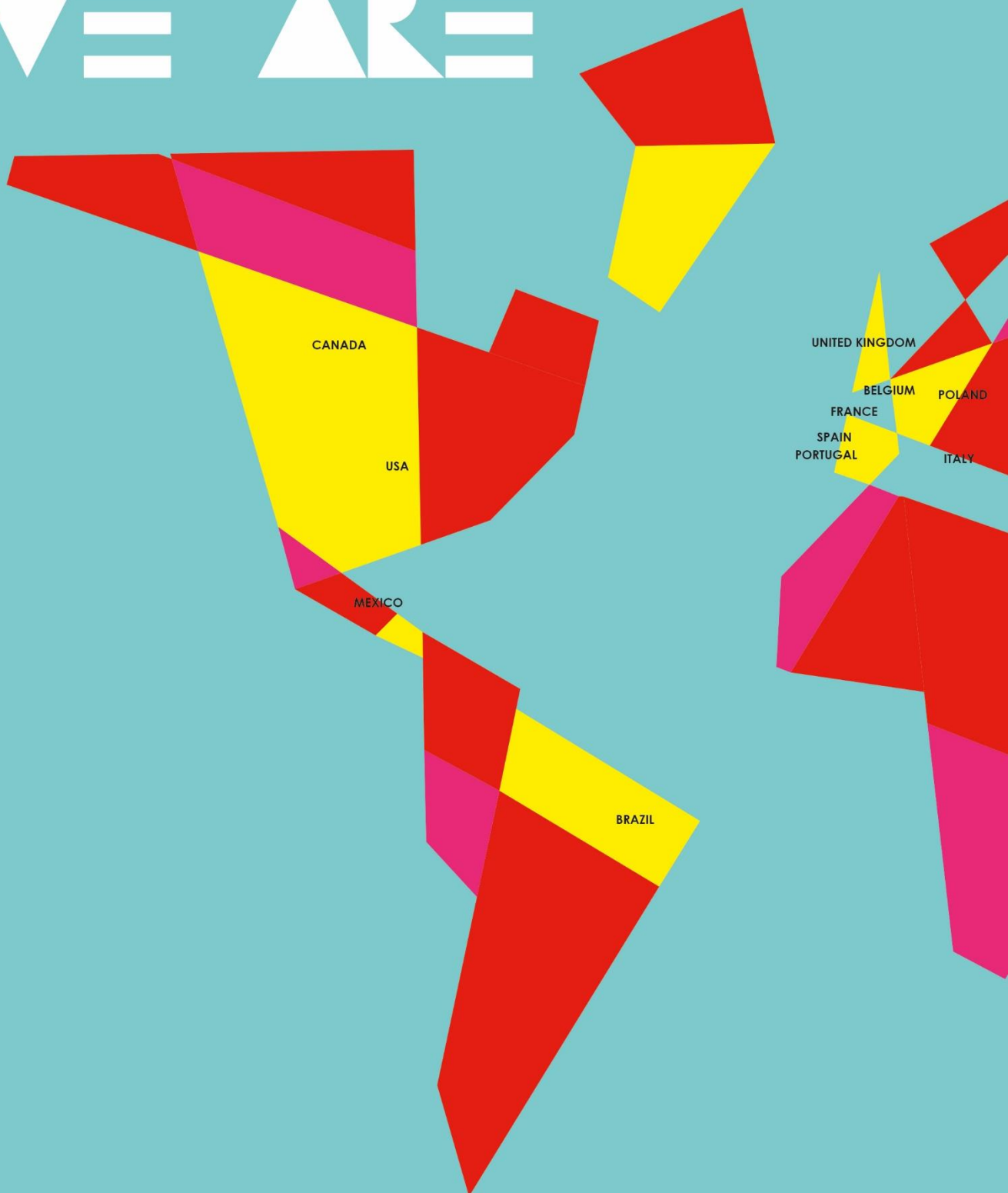
INTERNAL FINANCIAL REPORTING CONTROL

The EDP Group brought the Internal Financial Reporting Control (SCIRF) system into its Management, based on the criteria established by the internal control standards framework issued by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO 2013) in relation to business processes and overall control and the *Control Objectives for Information and Related Technologies* (COBIT) in relation to general information technology controls.

The Activity Plan for 2018 was focused on the SCIRF development, monitoring and maintenance, implementation of SCIRF support application transversal to all geographies, and the support and supervision of the impact, resulting from changes in the Group's business.

4.4.1. WHERE WE ARE

WHERE
WE ARE



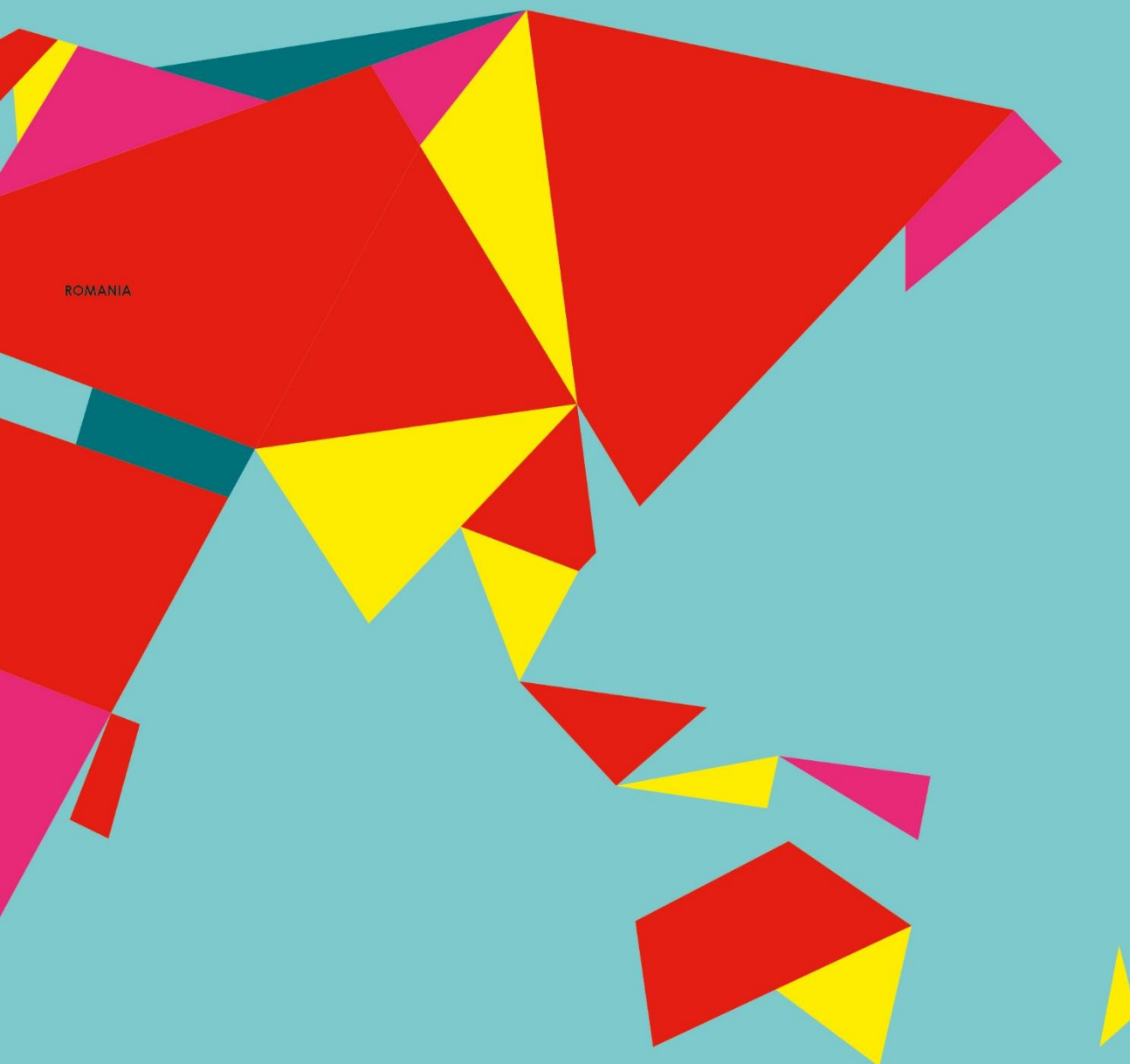
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PORTUGAL	○	✕	†	⤵	⚙	1.875
SPAIN	○	✕	†	⤵	⚙	769
USA AND CANADA		✕			⚙	230
MEXICO		✕			⚙	15
BRAZIL	○	✕	✈	†	⤵	600

POLAND		✕			⚙	27
ROMANIA		✕			⚙	28
ITALY		✕			⚙	33
UNITED KINGDOM		✕			⚙	10
BELGIUM AND FRANCE		✕			⚙	32

○ GENERATION ✕ RENEWABLES ✈ TRANSPORT † DISTRIBUTION ⤵ SUPPLY ⚙ CONTROLS



4.4.2 PRESENTATION OF THE 2018 SCIRF IN THE EDP GROUP UNIVERSE

The activities scheduled (i) on the conclusion of 2017 SCIRF evaluation, and (ii) under the launch, monitoring and follow up of the 2018 SCIRF evaluation cycle, were performed as planned and agreed with the External Auditor (EA) – PWC -, in Portugal, EDP Espanha and EDP Renováveis and by KPMG in EDP Brasil, following the methodology and coordination of the Group's EA. To this end, the following activities were carried out:

- Planning and monitoring the cycle, maintenance and revision of reference models, methodological and conceptual support for the Business Units (BU).
- Determination the 2018 SCIRF scope based on consolidated financial statements, supported by materiality and risk criteria on a top down (Internal Audit and Compliance Corporate Division) and bottom up (Business Units) criteria, on an annual basis with semi-annual review, from which were identified the Business Units, Departments of Corporate Centre and processes considered relevant. In SCIRF scope were included, autonomously, the majority of the Business Units in Portugal, EDP Espanha and EDP Brasil; and on an aggregated way the units that constitute EDP Renováveis, S.A., EDP Renewables Europe, S.L. and EDP Renewables North America, LLC.
- Support for the Business Units in documentation and revision of new controls and redesign of existing ones, due to the inclusion of new themes, by materiality and / or risk matters; legislative, structural or procedural changes.
- Identification of relevant SCIRF software applications and analysis of service organizations, for monitoring the issuance of ISAE 3402 reports, corresponding to the independent evaluation of the environment control used by the EDP Group's information technology service providers.
- Support and monitoring of the cycle evaluation process, by the External Auditor, in terms of planning, interaction with the Business Units, resolution of Non-Conformities and reporting to supervisory bodies.
- Launch and support the 2018 SCIRF self-certification process - whereby the internal control officers of the EUs and BUs at various levels declare their explicit acknowledgement of the sufficiency or insufficiency of the control documentation in terms of updating and adaptation, execution and maintenance of evidence, approval and implementation the actions involved in the resolution of NCs, if applicable, and compliance with the code of ethics.
- Conducting the self-assessment process of the 2018 SCIRF cycle, through which the CAE, represented by CEO and CFO, issue a report on the degree of security and reliability of the preparation and presentation of the consolidated financial statements.
- The 2018 SCIRF evaluation was conducted by the Group External Audit, PwC, in accordance with International Standard *ISAE 3000 - International Standard on Assurance Engagements*, in all countries covered by the scope model and with the support of KPMG, in the specific case of EDP Brasil.

The External Auditor issued an independent report on the Group's SCIRF regarding the financial statements of December 31, 2018, without reservations and without emphasis.

4.4.3. OTHER ACTIVITIES ARISING FROM THE WORK OF MAINTENANCE OF THE SCIRF

- Migration, implementation and training of a new eGRC (B Wise) application to support SCIRF and Compliance, which has the following developments during the year:
 - Acceptance tests.
 - Users training in Business Units in Portugal, EDP Espanha, EDP Renováveis.
 - Definition of profiles for the Business Unit's users in Portugal.
 - Data migration and validation of Business Units in Portugal.
 - Preparation of the migration files of EDP Espanha, EDP Renováveis and EDP Brasil.
- Update / revision of the financial risk and controls allocation map - because of the application of the scope model to the financial statements as of 31.12.2017 and 30.06.2018, quarterly analytical reviews and fraud risk analysis and deepening the model to feed the SCIRF control environment, as well as the Compliance and Internal Audit areas with a better and more systematized information on fraud risks. Financial risk maps were reviewed in most geographies as well as documented and revised controls to mitigate the identified risk.
- Support in the review of EDP Soluções Comerciais controls, due to the partition need of the control matrix, following the restructuring plan of this Business Unit, which required a large intervention by the SCIRF team, due to the transfer of activities to EDP Distribuição, EDP Serviço Universal, EDP Comercial and EDP Gás Serviço Universal, as well as the support given to the new structure in the revision of the control matrix, after the split and subsequent interaction with the target areas.
- Diagnostics of internal controls in UHE Peixe Angical – Enerpeixe and EDP Transmissão, with the objective of evaluating internal processes and controls resulting from changes in management or the need to include new Group companies in existing SCIRF controls.
- Analysis of the internal control environment at Fundação EDP, corresponding to a request from the Fiscal Council of that institution, for which an internal control assessment project was carried out, through which the activities, the processes, the areas for improvement, the control drawings and the implementation schedule were reviewed.
- Follow-up of the implementation plan of the Hydro Global project, within the agreed program, with some points of situation and monitoring, according to team's availability.

4.5. COMPLIANCE

The Compliance function consolidated and reinforced its performance throughout 2018, with the aim of contribute to an efficient management of compliance with legal and regulatory obligations in a way that is aligned with the strategic objectives of the organization. Anticipating trends, proactively managing default risks and articulating the different control models are the main drivers for an integrated and holistic view of the Compliance function, always in close partnership with the different Business Units.

During 2018, the regulatory areas considered as priority were continued, with a view to the structuring of the respective Specific Compliance Programs (PEC). The following initiatives should be highlighted:

Personal Data Protection (Overarching)

The project to adapt EDP to the requirements of the new General European Regulation on Data Protection (RGPD), which took effect on May 25, 2018, was concluded.

Several methodologies for managing data protection issues were defined and approved by CAE, with application across the different Business Units, along with the definition of a governance model for data protection management and the designation of DPOs (Data Protection Officers) in Portugal and Spain and the development of an awareness and training plan (classroom and e-learning), also with a transversal scope.

On the other hand, continuous support and monitoring have been maintained for the implementation of the adequacy measures identified in the action plans produced under the project, both in terms of specific business processes and in technology (safety of information).

Also in 2018, the management of this PEC entered a new phase of "maintenance", with the design of specific control mechanisms and supporting the activity of the DPO, with a view to monitoring operational activities related to data protection (collection and use of consents, exercise of rights by the holders, support in the management of the contact channel with the DPO, analysis and evaluation of security incidents, etc.).

In Brazil, the General Data Protection Law (LGPD) was approved in August, which will take effect from August 2020. Like the RGPD, Brazilian law regulates the processing of personal data and establish rights for data holders, which will impact any organization that performs the collection, use, processing and storage of such data.

EDP Brasil has launched a project to adapt to LGPD, with the coordination of DAIC.

Prevention of Criminal Liability of Legal Entities (Spain and Renewables)

Following the work begun in 2016 reviewing and adapting the existing models in the branch office in EDP Espanha and in EDP Renováveis, taking account the organizational changes, the legislative innovations since its initial implementation and the action plan for models' revision defined in 2017. In EDP Espanha the definition and operationalization of the governance model and management, as well as the maintenance and monitoring carried out based on the test plan and the implementation of training for administrators and members of the Steering Committee. In EDP Renováveis a redefinition of risk and control matrices was carried out, to reinforcing the existing prevention models.

Prevention of Corruption (Overarching)

To reinforce EDP's commitment with a culture of integrity and the application of homogenous principles to the whole Group regarding corruption prevention, EDP Group's Integrity Policy was defined, approved and disclosed in 2018, which assumes itself as a fundamental normative of this PEC, defining the general principles of performance and duties of EDP Group companies, their employees and business partners, in order to avoid the practice of illegal acts, in particular associated with the practice of acts of corruption, money laundering and terrorist financing.

In EDP Brasil, the Compliance program was continued, including the Due Diligences of Integrity (for which a tool was implemented that aims to manage the entire process of requesting and producing reports, allowing a faster process and greater internal control of activities), the monitoring of interactions with public agents (for which a tool was implemented to support the registration of those interaction, which is currently seen as a benchmark in the sector), the management of ethical complaints (with the introduction of a new channel where the registered information is received by an independent and specialized company, ensuring absolute confidentiality and proper treatment of the complainant).

In a transversal way (Portugal, Spain, Brazil and Renewables), a training in integrity e-learning format was launched in 2018 - "The Honesty Project".

At the end of 2018, a specific project related to the implementation of money laundering and terrorist financing prevention mechanisms was also launched. The objective was also to define the methodological approach and operationalization of the Due Diligences of Integrity process, which will reinforce in the short term the effectiveness of this Compliance program.

Competition Legal Obligations (Portugal and Spain)

In partnership with DEC - Studies and Competition Department in Portugal, the measures set forth in the respective action plan defined in 2017 were supported, monitored and implemented, with special emphasis on the preparation and approval of a manual of rules of conduct for competition, the definition of safeguard clause references to the competition rules in the formalization of new contracts and partnerships and the definition of procedures related to concentration operations.

On the other hand, a similar work was undertaken in Spain in 2018, which led to the definition of an action plan with the identification of specific measures and the definition of risk and control matrices, to strengthen compliance with competition rules in this geography.

Legal Separation of Activities of Distribution Network Operators (Portugal and Spain)

Continuing of the initiatives of previous years, both in Portugal and Spain, by supporting and monitoring the adequacy measures implementation, highlighting the current process concerning image differentiation of electricity and natural gas distribution companies (Portugal and Spain) and the on-going review of the attendance model in the presence channels (Portugal).

In Spain, a Compliance Standard on the separation of activities was also defined and approved (formal document summarizing the main risks, responsibilities, procedures and control mechanisms implemented).

Regulatory Issues (EDP Distribuição, EDP Comercial, EDP Serviço Universal)

The roles played by the group companies in the energy sector, which are associated with penalties for non-compliance, within the framework of the Penalty Regime in Portugal give particular importance to the systematization of Compliance mechanisms in the main risk areas, namely: "Social Support "," Quality of Technical Service "," Quality of Commercial Service "," Change of Supplier " and "Measurement and Availability of Data". The respective business areas are responsible for these PECs, which have support from the Compliance area (which assumes a role as a "Provider") with the goal of systematizing it.

Because of the structuring of the "Social Support" PEC in 2017, both in distribution and commercialization companies in Portugal (EDP Comercial and EDP Serviço Universal), a continuous monitoring to the implementation of the action plans of defined improvements has taken place. Meanwhile implemented controls are in the documentation / formalization phase.

Also, in 2018, progress was made with the structuring of the "Quality of Technical and Commercial Service" PECs, with the identification of the main risks and areas affected, existing procedures and control mechanisms and / or developing and defining specific action plans.

"Change of Supplier" and "Measurement and availability of consumption data" will be expected to be addressed in 2019, due to recent changes in the regulatory landscape, with an impact on the operational processes that support those activities.

Money Laundering and Terrorist Financing (Overarching)

As part of the transposition of the corresponding European Directives, in 2017 Portugal adopted a package of legislative measures, mainly issued to the fight against money laundering and the financing of terrorism, the most relevant being: Law on Combating Money Laundering and Terrorist Financing (BCFT), Law 83/2017 of August 18 and the Law 92/2017 of August 22, amending the General Tax Law and the General System of Tax Offences, which restrict the payment or receipt of cash amounts.

During 2018, an analysis to the applicability of this legislation to the EDP Group was made, identifying "obliged" companies, main requirements and specific risks of the activities impacted. A specific project was also launched to adapt EDP to the legal

requirements, with the aim of implementing mechanisms related to: the conceptual approach to regulatory compliance, the definition of responsibilities model, the implementation of specific control procedures, the implementation of an independent reporting channel and the training of EDP employees. This project also intends to define and operationalize the process of conducting third parties' due diligences of integrity, necessary for the fulfillment of the money laundering legislation. However, it will also contribute to strengthening the mechanisms associated with the Integrity / Prevention of Corruption PEC.

4.6.

OTHER ACTIVITIES AND PROJECTS

- Collaboration with the DCMC – Department of Global Coordination of Brand, Marketing and Communication, to draft an article for the May 2018 edpon magazine, about the implementation of the RGPD and its suitability at EDP Group, and to draw a communication and awareness plan for the subject of data protection (news on intranet, videos, podcasts).
- Active participation of managers in different workshops and conferences related to Compliance issues (e.g.: Data Protection).
- Participation in the APQ Working Group - "Associação Portuguesa para a Qualidade" - on the adaptation of international standards on compliance and corporate governance issues.
- Master's thesis orientation on the theme "Implementation of a Compliance function and impacts to the organization".
- Support EDP Comercial, EDP Soluções Comerciais, EDP Serviço Universal and EDP Distribuição in the review of accesses to the SAP systems within the framework of the spin-off/merger of EDP Soluções Comerciais and RGPD.
- Execution of the eGRC implementation project (B Wise) to replace the current one, to support the Internal Control and Compliance areas of the EDP Group.
- Spin-off of existing continuous audits, contemplating new companies, implementation/reformulation of indicators, inclusion of new applications subject to periodic analysis, as well as the implementation of new continuous audits.
- Participation on the preparation audit for the ISO27001 Certification of SOC (Security Operations Center) executed by an external entity.





WATER



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05 HUMAN RESOURCES

Number of employees	45
Vocational training	46



05 HUMAN RESOURCES

5.1. NUMBER OF EMPLOYEES

In 2018, the structure of Internal Audit and Compliance Department was maintained, with a 3% increase compared to 2017, for a total of 71 employees, with an average age of 40 years.

The Group has been operating in a context of increasing regulatory pressure in the different areas of activity in which it operates and is increasingly exposed to greater compliance requirements. In addition, regulators encourage and, in some cases, require organizations to implement effective programs to ensure compliance mechanisms. As such, the effective management of legal and regulatory obligations in this area is a priority and implementation of compliance programs aligned with the complexity and scale of their activities is a basic element of corporate governance.

In this context, the Executive Board of Directors (CAE) decided, through OS 07/2016/CAE, of May 17, to create the organizational function of Compliance and its integration into the Internal Audit and Compliance Department of the Corporate Center. In 2018, the structuring of this area was continued through its reinforcement with two new employees in the Group.

Considering the above, the changes in each of the geographies were as follows:

- Strengthening of the team in Portugal through the recruitment of a resource to the Internal Audit area, by internal mobility from DAIC Brasil and another resource for the Compliance team, through external recruitment process. On the other hand, three employees left the DAIC Portugal, one due to pre-retirement and the other two through internal mobility processes to EDP Comercial and EDP Imobiliária.
- During 2018, 5 new trainees were admitted in Portugal, for a period of 9 months, coming outside of the Group, to assist the Operational and Regulatory Audit, Information Systems and of the Office of Quality and Continuous Improvement, as well as giving young graduates the opportunity to have their first contact with business reality.
- The EDP Brasil team was reinforced through four new entries, by external recruitment, with three resources for Internal Audit and one for the Compliance team. On the other hand, three employees left, one to take up an opportunity abroad and two for internal mobility (one for another EDP Brasil area and the other for strengthening the Internal Audit team in Portugal).
- EDP Spain has strengthened its Internal Audit team with two new employees through internal mobility and external recruitment, replacing employees who have left in previous years. One of the new hires is a specialist in Information Systems.
- In EDP Renováveis team, the number of auditors was maintained, although one employee left the firm and a new one was hired through external recruitment.

5.2.

VOCATIONAL TRAINING

The following table provides a summary of the training sessions attended by employees, by domain and training area, for all countries.

VOCATIONAL TRAINING SUMMARY TABLE 2018

TRAINING FIELD	TRAINING AREA	TOTAL (IN HOURS)	%
Behavioural		211	8%
	Interpersonal relations and communication	121	
	Leadership	70	
	Emotional intelligence	20	
Management		201	7%
	MBA / Master / Postgraduate	158	
	Management	40	
	Finance	3	
Organizational		549	20%
	Lead Now	147	
	Induction sessions	137	
	Leadership	135	
	Human resources	85	
	Institutional	36	
	EDP X	9	
Technician		1747	65%
	Information systems	745	
	Energy	295	
	Compliance	238	
	IPAI / IIA	197	
	Internal Audit	79	
	DAIC working tools	54	
	Internal Control	52	
	Languages	30	
	Microsoft Office	14	
	Risk Management / fraud	10	
	CIA	8	
	Other	25	
TOTAL		2708	100%

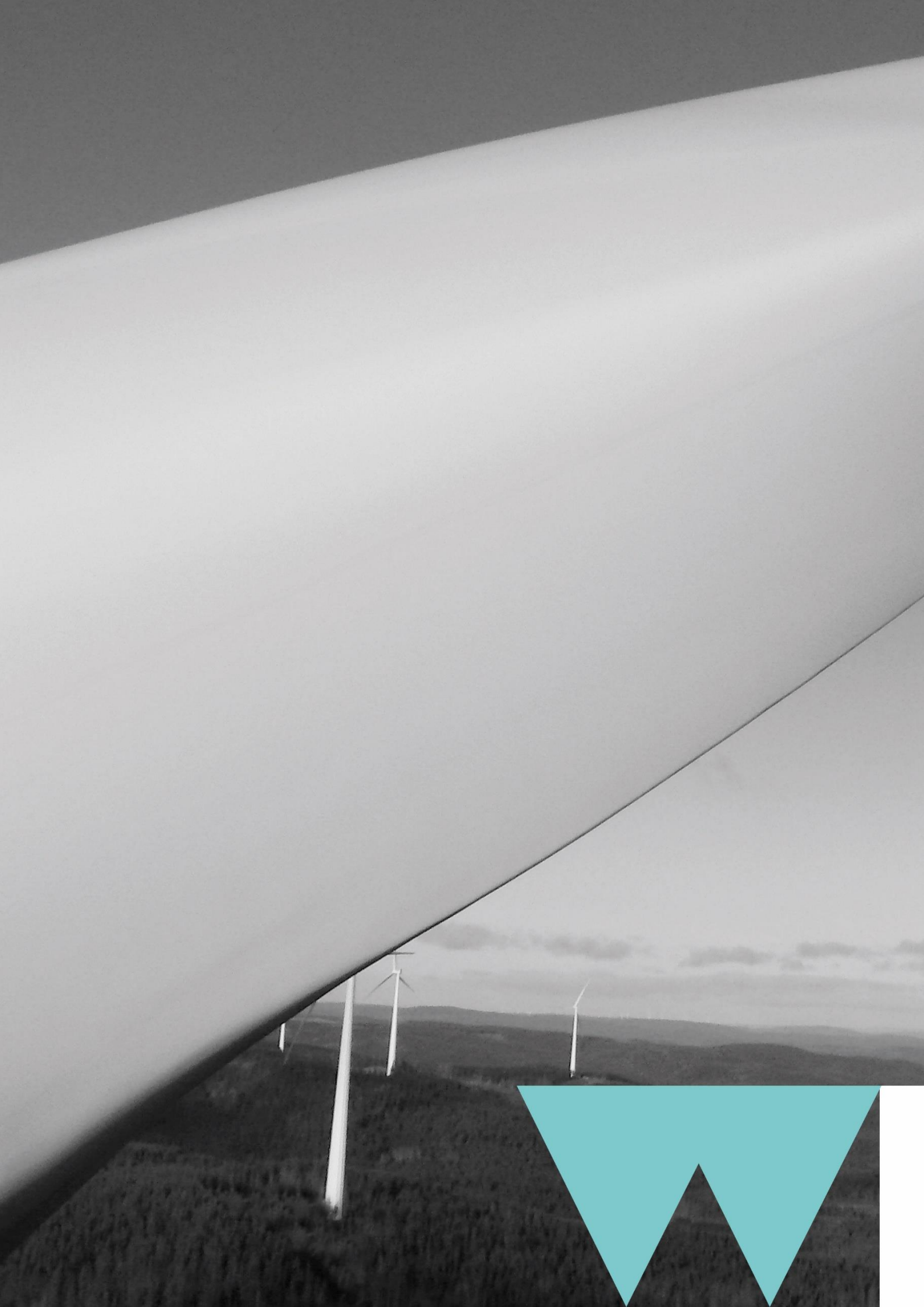
Each year, an internal training program for all DAIC employees is drawn up and / or updated, with participation in national and international seminars and / or other training events relevant for the performance of the functions of each employee.

Training hours in 2018 was 2,708 hours, an increase of 33% over 2017 (2,032 hours). The average number of training hours per employee in 2018 was 40 hours, an increase of 29% over 2017 (where the average number was 31 hours).

In addition, a continuous on job training activity is highlighted in the development of the work carried out.

The additional training of some employees is of note:

ADDITIONAL TRAINING LEVEL	EMPLOYEES
PhD	1 employee
MBA	Concluded: 7 employees In training: 1 employee
Master or Postgraduate	20 employees (in Finance, Taxation, Auditing, Management and Auditing)
CIA Certification	Concluded: 10 employees In process of completion: 9 employees
Additional Certifications	CISA (<i>Certified Information Systems Auditor</i>): 2 employees CRMA (<i>Certified in Risk Management Assurance</i>): 1 employee CAMS (<i>Certified Anti-Money Laundering Specialist</i>): 1 employee (ongoing) COBIT (<i>Framework for the governance and management of enterprise IT</i>): 1 employee CCEP (<i>Certified Compliance & Ethics Professional</i>): 2 employees CISM (<i>Certified Information Security Manager</i>): 1 employee Certification ISO 27001:2013 Lead auditor: 2 employees Certification ISO/IEC 27001:2013 Lead implementor: 1 employee Certification ITIL V3 Foundations: 1 employee





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06 OUTLOOK FOR 2019

Internal Audit	52
Internal Financial Reporting Control	53
Compliance	54
Other activities	54

06 OUTLOOK FOR 2019

6.1. INTERNAL AUDIT

Within the plan of activities to be implemented during 2019 the following topics are of note:

- Maintenance of internal audit activity in areas of relevance due to its cross-cutting impact on the Group (legislation on protection of personal data, impact on criminal liability of legal entities), areas that are part of the Group's financial resources (focus on large investment projects in electricity production), or to its direct impact on the performance of certain activities and businesses (e.g.: sectoral regulation with impact on distribution activity, management of core activities in outsourcing, etc.).
- Continuation of the monitoring of the growing internationalization of the Group, prioritizing internal audit work that adds added value in terms of internal control to affected areas and companies.
- Continuous improvement initiatives in identification of risks with impact on the Group as well as in activities and controls implemented by the areas that act as first and second lines of defense, covering those risks.
- Continuation of internal audits in coordination with other organizations, because of the existing partnerships in the field of the exploitation of the wind farms.
- Progressive growth in continuous auditing, and launch in EDP Brasil of pilot projects in treasury, purchasing and commercial areas, taking advantage of the ability to handle and manage large volumes of information in the transactional systems that support part of the Group's activities (mainly commercial and financial).
- Completion of the AI TI 3.0 project.
- Implementation of the methodology and working models in AI TI and internal relationship AI TI - AI OP.
- Revision of the Internal Audit Manual to include / accommodate the proposals resulting from the AI TI 3.0 project, as well as to comply with the requirements of ISO 27001.
- Continuation the development of the various ongoing continuous audits, to include more areas, new indicators and a larger universe of applications.
- Launch of the first internal audit ISO27001.
- Review of reporting models of DAIC Brasil, meeting stakeholders' expectations and with a grater unification with the consolidated model of EDP Group.

6.2.

INTERNAL FINANCIAL REPORTING CONTROL

The SCIRF activity plan was structured in line with the maintenance, monitoring and evaluation activities of SCIRF 2019. In this sense, recurrent activities were planned, as well the non-recurring activities related to the implementation of projects and areas for improvement, following the evolution of business and adoption of the best international practices.

The evaluation contract with the External Auditor, PwC, provides for the issuance of an Independent Evaluation Report on the Group's Financial SCIRF, as well as the issuance of stand-alone Reports of EDP Espanha, EDP Renováveis and EDP Brasil, companies listed on Euronext Lisbon and Bovespa.

The issuance of the Independent Evaluation Reports of SCIRF, related to the Consolidated and Stand-alone accounts, disclosed in the corresponding annual report, constitute a global certification, transversal to all geographies, as well as the commitment and responsibility to the market regarding the quality of financial information made available to the stakeholders.

For the SCIRF evaluation cycle 2019, the following themes are of note:

Management of the 2019 SCIRF cycle:

- Identification of the scope of the 2019 SCIRF based on the financial statements at December 31, 2018 (Group and stand-alone) and identification of the themes to be incorporated by the risk analysis. Strengthening the scope analysis for the EDP Group based on the financial statements of June 30, 2019 (Group).
- Support for the Business Units in documentation / review of controls and redesign of the existing ones.
- Support and monitoring of the evaluation of the 2019 SCIRF cycle, promoted by the EA.
- Launch and support in the self-certification process of the 2019 SCIRF cycle.
- Launch of the quarterly report on the degree of resolution of Non-Conformities.

Organizational component, methods, processes, methodologies and support tools:

- Revision of the SCIRF user manual and accountabilities model.
- Consolidation of the new eGRC application for SCIRF support.
- Review and update of cross-cutting global controls.
- Support the controls revision of EDP Comercial, EDP Serviço Universal, EDP Gás Serviço Universal and EDP Distribuição in line with the JUMP implementation.
- Review of the training manual in conjunction with the EDP University.
- Identification and analysis of robots with impact on SCIRF.
- Fraud Risk Analysis based on COSO-Fraud Risk Management Guide.

We also highlight the activities carried out by DAIC employees as consultants at various levels of the structure, in the different daily activities of risk identification, documentation of controls, support in the Non-Conformities solving, coordination of evaluation activities by the External Auditor and facilitating agents with all the local collaborators that assure the operation and maintenance of SCIRF.

6.3.

COMPLIANCE

During 2019, the Compliance area, within its sphere of action, will continue to promote/advise the different areas involved, regarding the most relevant regulatory areas and diffusion work methodologies, tools and transversal procedures.

Within the scope of Global Compliance Program, the implementation of an IT tool to support the Compliance management system will be started. These actions will cover the different regulatory areas for which the respective Specific Compliance Programs (PECs) have been or are being structured.

Regarding the PECs that have been worked on, it is planned to move on to higher stages of maturity (phases of monitoring the implementation of defined measures and / or revising / maintaining their design). Highlighting the initial structuring of the Money Laundering and Terrorist Financing PEC, as well as the extension of the Personal Data Protection PEC to other geographies: Brazil - following the publication of the new Brazilian data protection law and to other European countries - European subsidiaries not owned by EDP Renováveis, namely EDP Finance BV and EDP Comercial subsidiaries in Poland, Italy and France.

At EDP Brasil, an external assessment will be carried out, benchmarking and best practices, in preparation for ISO 37001 certification for anti-bribery management system.

6.4.

OTHER ACTIVITIES

In 2019, concerning the continuous improvement, various actions related to organization, processes, methodologies and tools that cross the DAIC activity will be promoted.

EDP Brasil will create a research unit, made up of auditors, to analyse ethical cases deliberated by members of the Ethics Committee.

In addition to these activities, also of note is the maintenance of the monitoring programme for professional internships for graduates, as part of the Group's participation in the social responsibility programme.



