



Ethics Ombudsman's Annual Report, 2013

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EDP Group's Ethics Ombudsman

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Contents

Taking the future where we want it to be

A more participatory, mature and transparent management system

Listening to and involving people

Adapting the tools of the management system

Strengthening the EDP ethics culture

Compare with the best

Measure and assess our ethical performance

Report our ethical performance

Disseminate and promote good business ethics

Development of complaints in 2013

Who complained about what

Newly opened ethical complaints

Complaints submitted and actions defined by the Ethics Committee

Conclusions and Opinions

Outlook for 2014

Acknowledgments

Appendix 1: Group of Representatives and *ética*edp focal points



Taking the future where we want it to be

“Organizational effectiveness requires not only technical know-how, financial competence and innovative imagination, but also moral courage, discerning judgment and ethical understanding.”⁽¹⁾



Business ethics — which concerns not only the results achieved, but also and especially, the manner in which these results are achieved — cannot cease to be of the greatest importance for EDP, whose vision celebrates leadership in value creation, innovation and sustainability.

Improving EDP's ethical performance and fostering “the moral courage, discerning judgment, as well as ethical understanding” among all the people who form this great company from a broad perspective, is therefore of great importance for the construction of the future where we want to be — the embodiment of our vision — a task that takes on particular responsibility for those who occupy positions of management and leadership within the company.

An extensive series of initiatives were developed throughout 2013 – including: revision of the Code of Ethics, the design of new training modules, the development of a Corporate Ethic Performance Index, the publication of the Ethics Ombudsman's Annual Report, improvement of business ethics communications — some with a powerfully innovate nature, directed toward the consolidation and improvement of our ethics management system

Those initiatives represent an opportunity for a large number of people from different backgrounds, both within and outside EDP, to get interested and actively listen, get involved and participate, at a level of co-operation — both formal and informal — that is very fruitful and which cannot be anything other than remarkable.

I believe that these were important contributions to strengthening a business ethics culture that we hope will be a distinguishing mark of the EDP Group in the markets in which it operates and in the communities it serves.

José Figueiredo Soares
EDP Group's Ethics Ombudsman

(1) in *Courage as a Management Virtue*; (Harris, H. (2000); (general translation)
GPE Gabinete do Provedor de Ética



A more participatory, mature and transparent management system

These are the aims of EDP's ethics management:

- ensure high individual ethical awareness and standards at the individual level;
- minimize the risk of unethical practices;
- maintain a business culture that is consistent with our values and generates transparency, trust and responsibility for the consequences of decisions and actions.

The Ethics Committee, the Executive Board of Directors and the General and Supervisory Board reassessed the alignment of these aims with EDP's vision and strategic positioning in 2013. They were, accordingly, re-confirmed and integrated into the text of the new Code of Ethics.

The importance of business ethics-related themes is also visible in this year's Materiality Matrix of the Group.

"... we believe, for this reason, that ethics and business are inseparable in our work, and also throughout our supply chain, particularly in the entities acting in our name."

António Mexia

(EDP Code of Ethics, Opening Message by the Chairman of the EBD)

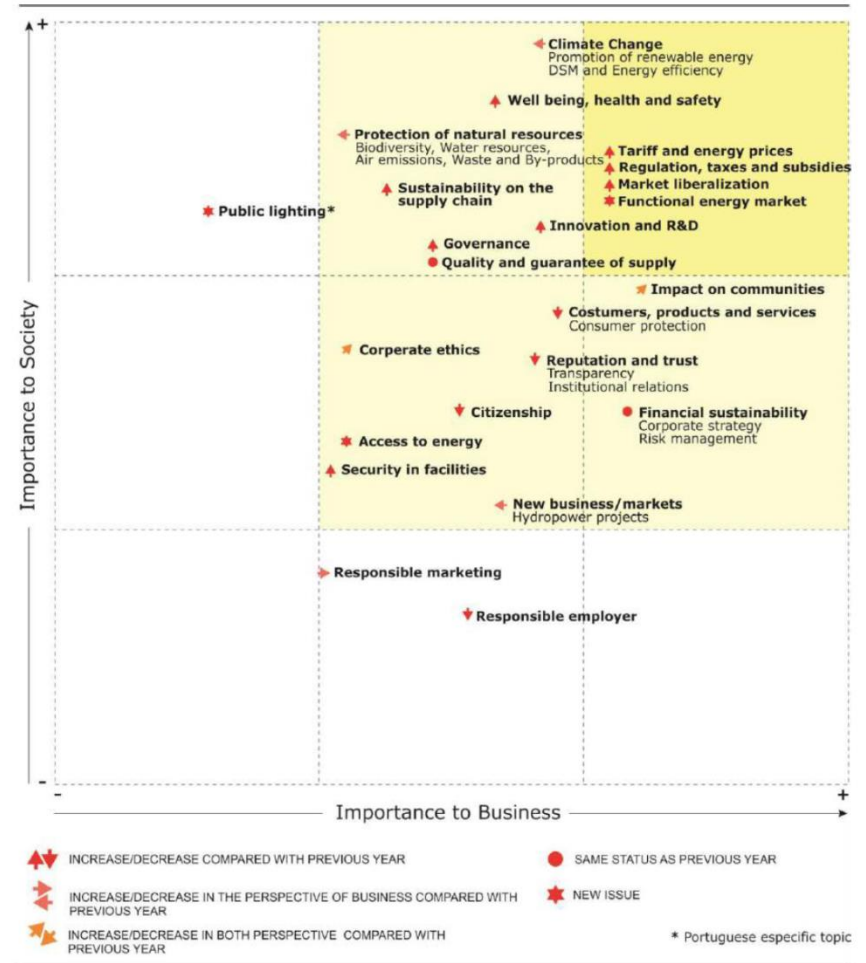


Figure 1
Materiality matrix of the Group, 2013

A more participatory, mature and transparent management system

Listening to and engaging people – *éticaedp* focal points

Establishment of an *éticaedp* focal point Group

An *éticaedp* focal points group was established, appointed by the boards of directors of the business units and by Corporate Centre directors. Its aim is that of assisting the Office of the Ethics Ombudsman (OEO) in diagnosing the needs and opportunities for improving the management of matters of business ethics and in enhancing the initiatives undertaken.

This is an open and informal working/debating group, the size of which can be enlarged depending on the specific needs and circumstances.

This working group has been assisted by the Ethics Ombudsman's Representatives in EDP Renováveis, HC/Naturgas and EDP Brasil. Its current composition is shown in Appendix 1.

The Group of Representatives and of *éticaedp focal points* held four meetings during 2013, playing a particularly important role in laying out the broad lines of the EDP's Code of Ethics, in diagnosing the specific needs to be considered in the preparation of training and in the identification of opportunities for improving internal and external EDP communications on business ethics matters.



Figure 2
First meeting of the Group of Representatives and *éticaedp* focal points on 5 February 2013

A more participatory, mature and transparent management system

Listening to and engaging people

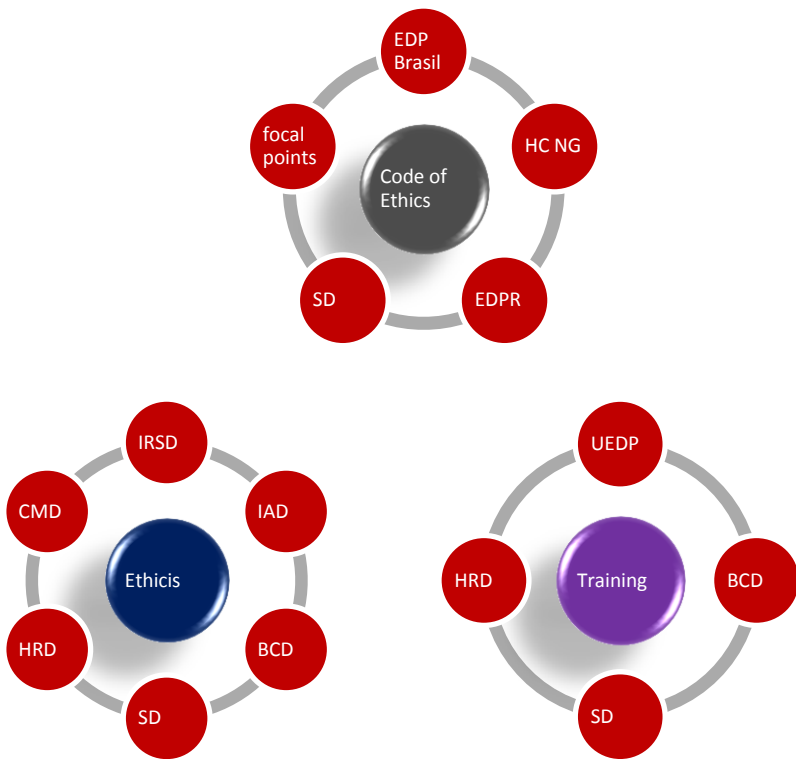


Figure 3
The organisation units and bodies most involved in the development of ethics management in EDP, in 2013 (by project)

The set of projects developed during 2013, particularly the revision of the EDP Code of Ethics, was a catalyst for an unprecedented collaboration around the theme of business ethics, the assessment of ethical performance and training, involving a significant and diverse number of organizational units within the Group.

In addition to the management bodies with responsibility in this area — the Corporate Governance and Sustainability Committee of the General and Supervisory Board, the Executive Board of Directors, the EDP Ethics Committee and the Ethics Committees of EDP Brasil and of EDP Renováveis — more than six dozen people took part, adding their know-how and specific expertise to the ad hoc working teams that were created.

Contributions were obtained from the following Corporate Departments, besides the Group of Representatives and the *éticaedp* focal points group mentioned above, Internal Audit (IAD), Commercial and Marketing (CMD), Brand and Communication (BCD), Human Resources (HRD), Institutional Relations and Stakeholders (IRSD), Sustainability (SD), General Secretary and Legal Advice and EDP University, as well as EDP Brasil, EDP Renováveis and HC/Naturgás.

It is important to note in 2013, although on a different plane — that of streamlining reporting to the Ethics Ombudsman and the processing of grievances — the establishment of new procedures and dedicated contacts, implemented by EDP Distribuição and EDP Soluções Comerciais. Both have made important contributions toward improving the efficacy of the ethics complaints management process.



A more participatory, mature and transparent management system

Listening to and engaging people — Surveys of stakeholders

The adequate management of ethical performance within EDP involves being aware of the perceptions and expectations of different stakeholders in terms of consistency between the principles and commitments and the decisions and practices of those who, for whatever reason, they represent. Besides this consistency that is based on the confidence “earned” by EDP, it is also important to know the degree of confidence in the company declared by the relevant stakeholders. Lastly, it is interesting to know the degree of satisfaction of those who resorted to the Office of the Ethics Ombudsman and gave rise to processes that appeared before the Ethics Committee.

The Office of the Ethics Ombudsman, recognizing this need, collected, analyzed and consolidated information in 2013 relevant to ethics performance management and which had already been gathered periodically by other organizational units within the Group (particularly the HRD, the BCD, IRSD and CMD), which prompted the inclusion of new questions in existing surveys, or even led to the creation of new surveys.

Surveys conducted under the scope of diverse OEO	
Staff Satisfaction Survey BCD (All employees)	Opinion Survey — Suppliers IRSD (sample of the main suppliers In Portugal)
Survey of the ethics management system OEO (with HRD and BCD) (representative sample of all employees in Portugal)	Opinion Survey — Other Stakeholders IRSD (representative sample of other stakeholders)
Survey of Satisfaction with the ethics complaints process management OEO (all complainants heard by the Ethics Committee in 2013)	B2B and B2C Customer Satisfaction Survey CMD (representative sample)

Table 1
Surveys used and organisational units responsible



A more participatory, mature and transparent management system

Adapting the tools of the management system

Redefinition of the Mission and Duties of the Office of the Ethics Ombudsman:

The mission and duties of the Office of the Ethics Ombudsman (OEO) were redefined in 2013. In addition to the duties and responsibilities attributed to the Ethics Ombudsman by the Code of Ethics, the OEO is also the body providing support to the GSB and EBD in respect of the “definition, assessment and communication of the aims, policies and business ethics management tools”.

Mission

To support the GSB and EBD in the definition, assessment and dissemination of the management aims, policies and instruments on matters of business ethics and to manage complaints of an ethical nature within the Group, with respect for established agreements in respect of the confidentiality and protection of the rights of the parties involved.

Duties

Receive complaints and investigate, document and present cases to the Ethics Committee (*);

Monitor the progress of each case of infringement that it has prepared and contact the complainant whenever necessary and appropriate, until the case is closed (*).

Actions to undertake:

Receive and manage complaints of an ethical nature, according to applicable procedures (*);

Prepare studies, proposals, advice and reports to assist the GSB and EBD on matters involving business ethics in the diverse regions in which the Group operates;

Coordinate and co-operate in internal and external initiatives to promoting awareness of, communication and of benchmarking in the area of business ethics.

(* in accordance with the established Code of Ethics Regulations as revised in September 2012.



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Adapting the tools of the management system

Revision of the Code of Ethics

The EDP Code of Ethics was revised in 2013 with the aim of clarifying the principles and commitments undertaken, to make them consistent across the Group's different business units, and to explain themes that had in the meantime acquired special importance for the business.

The new version clarifies the message and updates the topics addressed, ensuring the Code responds to the changes that have taken place in the world during the past nearly 10 years and it is more suited to the way in which EDP wishes to position itself. Hence, aspects relating to topics such as regulation, competition, data protection, intellectual property and volunteering, among others, are explained.

The revision resulted in a collective reflection that involved elements from different organizational structures and business units, addressing an identified need for making the text consistent across different countries.

The new version of the Code of Ethics, which joins a set of other documents that form part of our ethics management system, was approved by the General and Supervisory Board and the Executive Board of Directors in the last quarter of 2013, and was formally adopted by all the business units and published in 2014.

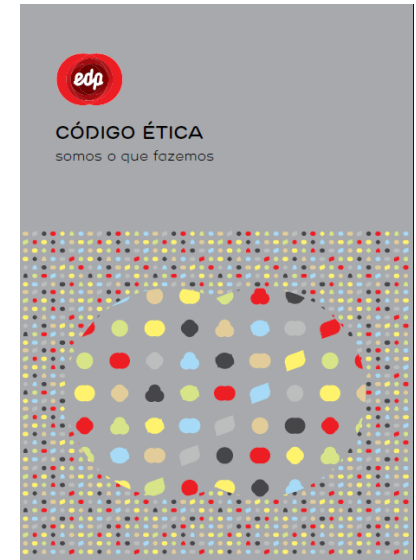


Figure 4
Graphic representation of the new
EDP Code of Ethics

The Code contains the **five principles of EDP operation** — compliance with legislation, integrity, transparency, respect for human and labour rights, and recognition of corporate social responsibility — **commitment to stakeholders** — employees, shareholders, clients, suppliers and the community — and the fundamental aspects of the **ethics complaints process management**.



A more participatory, mature and transparent management system

Strengthening the EDP ethics culture — the employees' view

Employees generally tend to give a positive response when surveyed about matters relating to the description of EDP's ethical culture and their day-to-day experience.

Of special note is their view in relation to the statements: "I believe that the behavior of my colleagues, superiors and senior managers is, generally, in accordance with the commitments contained in the EDP Code of Ethics", "EDP is a trustworthy company", "EDP gives out clear signals in terms of expected ethical behavior", and "people of any age, sex, race (...) are treated with the same fairness and respect by EDP".

Employee's positions regarding the statement "I know that EDP always acts whenever it is aware of behavior and/or attitudes that reflect bad ethical practice", requires special attention, with a smaller proportion of those saying they "agree or completely agree" with this statement than those stating they "neither agree nor disagree", "disagree" or "don't know/no reply".

Opinions expressed by employees:

I suggest that the principles and procedures are periodically "refreshed". And that the advantages of an ethical attitude are clearly understood."

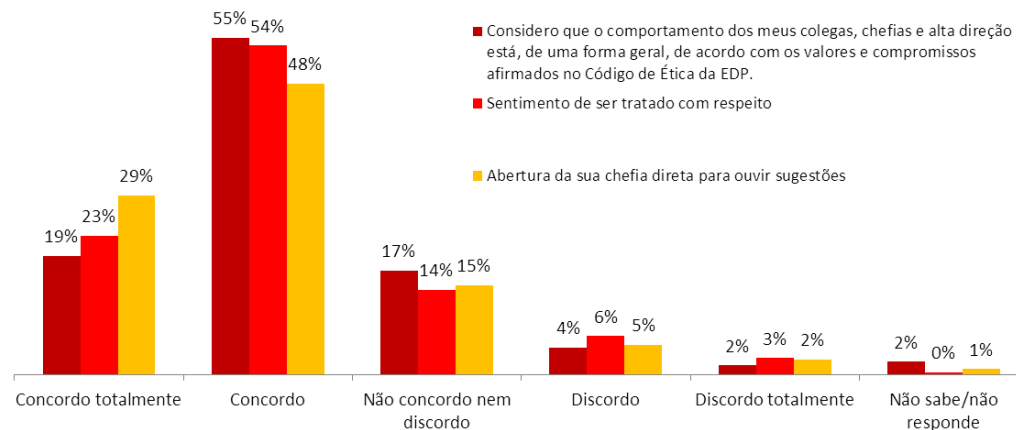


Figure 5
(Partial) result of the 2013 Staff Satisfaction Survey

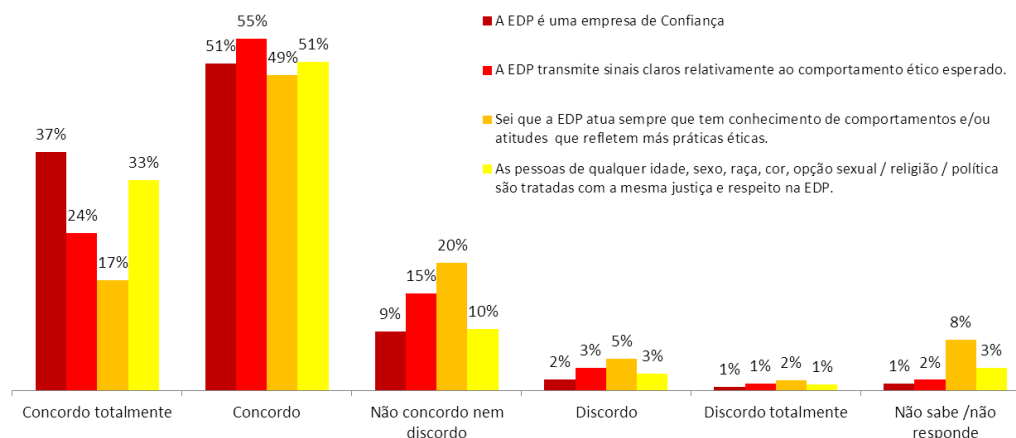


Figure 6
(Partial) result of the 2013 Staff Satisfaction Survey



A more participatory, mature and transparent management system

Strengthening the EDP ethics culture — Knowledge of the process and confidence in the management of ethical complaints.

Although the extent of knowledge about the Code of Ethics expressed by respondents to the survey is apparently high — 35% state that they know it well and 58% that they know it, although they are not familiarized with it — a large number (57%) of respondents said they did not know how to make an ethical complaint. This fact requires our fullest attention in employee training that will take place in 2014, as well as in the communications exercises that are planned to take place this year.

In relation to the responses to the question “I am confident about how EDP manages ethical complaints”, although 83% agree or completely agree, the fact that 2% disagree with the statement, and especially that 14% either don’t know (or don’t want) to respond is significant and merits our attention.

Opinions of employees concerning the ethics complaints process management:

“I appreciate the fact that the company gives so much importance to this subject”

“It is a process we must turn to when needed, and without doubt it is a plus for us as employees.”

“I have absolutely no confidence in this body.”

“Given the ethics ombudsman is part of the EDP management, how will this guarantee its integrity and confidentiality, in particular in internal matters involving employees and management?”

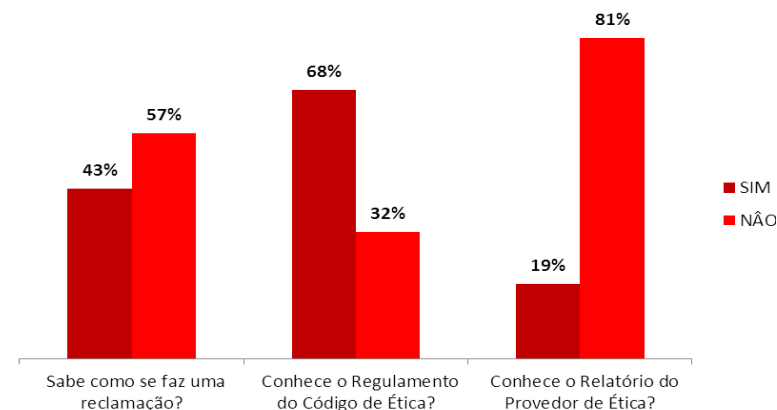


Figure 7
(Partial) results of a survey of the ethics management system

Tenho confiança na forma como a EDP faz a gestão das reclamações éticas

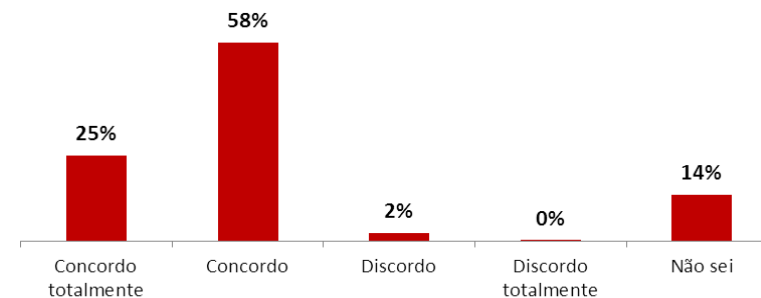


Figure 8
(Partial) results of a survey of the ethics management system

Source: EDP Survey of the ethics management system, 2013 OEO
Sample: 15% of employees in Portugal



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Strengthening the EDP ethics culture — Training

Staff development

The topic of business ethics was included in the staff development activities aimed at new employees admitted in 2013, as planned. In this context and with the active involvement of the Ethics Ombudsman, we developed a specific training/awareness module.

We surveyed new employees as part of this training, asking them for their views on organizational values and the importance of such for companies.

These surveys will, in the medium term, provide us with an important set of data on the values of employees at the time they begin working for EDP, which will facilitate future studies on the evolution of these values during their personal and professional lives.

Training in Sustainability

We also designed a module on “Integrity and Good Governance” to be included in the Sustainability course that is currently being prepared.

Training for all employees

the refresher courses we intended to provide in 2013 have been postponed because of the planning of the training offered by the Group. They will now start during the fourth quarter of 2014.

Supplier and service provider awareness

Also for operational reasons, training/awareness activities for suppliers have had to be postponed. It is expected that these courses will take place during 2014.



Figure 9
Personal values of new employees
(Second welcome session 2013)

Employees' opinions on training:

“Training for all employees without exception.”

... I think there are some employees, especially the younger ones, who only have access to the ethical values card once...

A more participatory, mature and transparent management system

Compare with the best

EDP has maintained regular assessment and external benchmarking events concerning the maturity of its ethics management system with the aim of knowing:

- How we position ourselves in comparison with other companies
- How we are externally assessed
- What are the concerns of the raters in terms of business ethics

EDP obtained the highest score in the “prevention of bribery” item of the FTSE4Good index in 2013, keeping its prominent position in the “Codes of Conduct/Compliance/Corruption & Bribery” category in the Dow Jones Sustainability Indices.

EDP was named on the “World’s Most Ethical Companies” list by the Ethisphere Institute, of the USA, in 2013, for the second consecutive year. In the comparative analysis with the previous year, the Corporate Ethics Quotient (CEQ) indicator assessing the maturity of EDP’s ethics management system showed an increase of around 15%, significantly higher than the average for the companies listed over the same period.

EDP Brasil has also retained the “Ethical Stamp” it was first awarded in 2011 by the Auditor General, and which will be reassessed in 2014.

Ethisphere CEQ

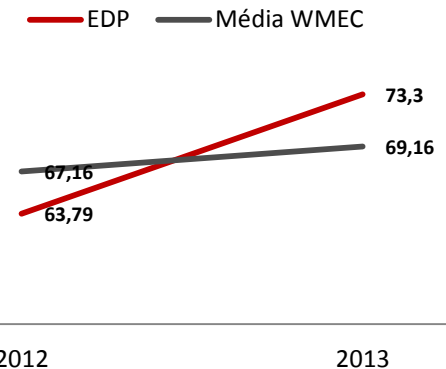


Figure 10
Comparative analysis of the EDP Group’s Corporate Ethics Quotient (CEQ) and the average of the World’s Most Ethical Companies (2012 and 2013)



More information about the Ethisphere Institute and the 2013 World’s Most Ethical Companies list is available at <http://m1.ethisphere.com/wme2013/index.html>

A more participatory, mature and transparent management system

Measure and assess our ethical performance

Ethicis

Corporate Ethical Performance Index

The **Corporate Ethical Performance Index (Ethicis)** was established in 2013, in order to regularly monitor the results and the development of EDP's ethical performance, taking the management aims defined in this context into account.

The development of ethical performance management indicators does not represent an end in itself, but rather a means to support the establishment of policies focused on ethical, corporate and individual performance, in order to promote the consolidation and strengthening of the company's ethics culture.

It is an innovative approach in business terms, which as well as responding to the recommendations in the Code of Ethics regulations approved by the General and Supervisory Board, will allow the Group's annual performance to be consolidated and included in the EDP sustainability Balanced Scoreboard while also establishing annual goals and targets for improvements in ethical performance.

A set of specialists in different areas and organizational units within the group have contributed to the design of this project and the definition of the areas to be analyzed within Ethicis.



A more participatory, mature and transparent management system

Measure and assess our ethical performance

Ethicis

Corporate Ethical Performance Index

Ethicis is structured in four major blocks (Stakeholder perception; Rater perceptions; Management; and Ethics Culture) and 12 principle axes of assessment (see Figure 11).

A total of 25 of the most important indicators in respect of the different assessment axes are monitored over the course of one year, with variable periodicity.

The Ethicis index is calculated annually and is updated and published annually on the EDP intranet at <http://www.edp.pt/pt/aedp/governosocietario/etica/ethicis/Pages/Ethicis.aspx>

ETHICIS
Índice corporativo de desempenho ético da EDP

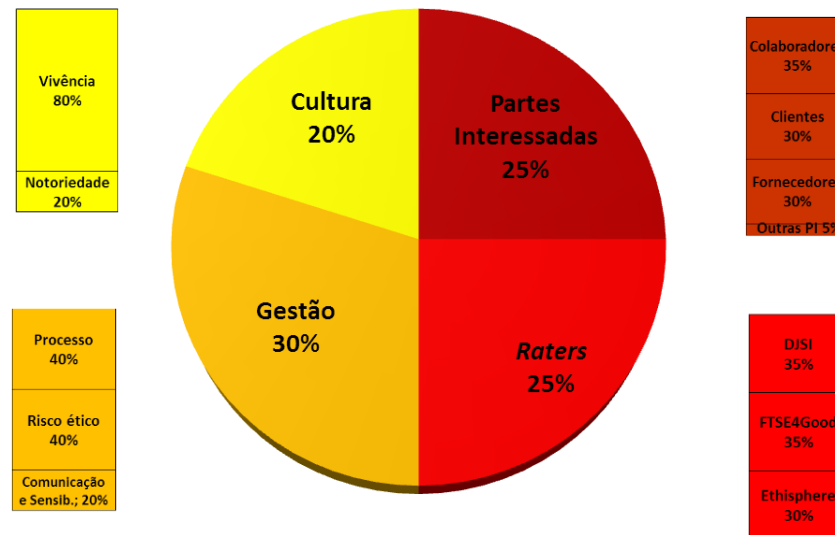


Figure 11
Structure (major blocks and assessment axes) of the Ethicis index

A more participatory, mature and transparent management system

Measure and assess our ethical performance

We can observe from the measurements taken in 2013, even allowing for important individual variations, that the aggregate stakeholder perception indicators, obtained by direct survey, and the assessment of the three rating bodies examined coincide. On the other hand, it is in some of the management (“Ethical risk”) and culture (“Experience” and “Prominence”) blocks that the greatest opportunities for improvement are identified. It is also in these fields that the need to improve the system of indicators is identified, which will be addressed in 2014.

Ethics Index | 2013 = 70.6

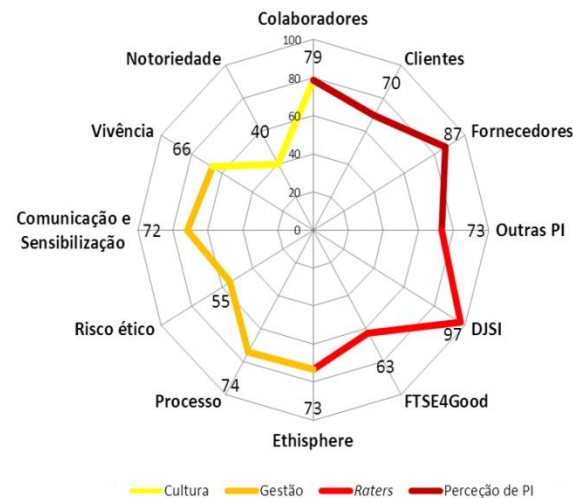
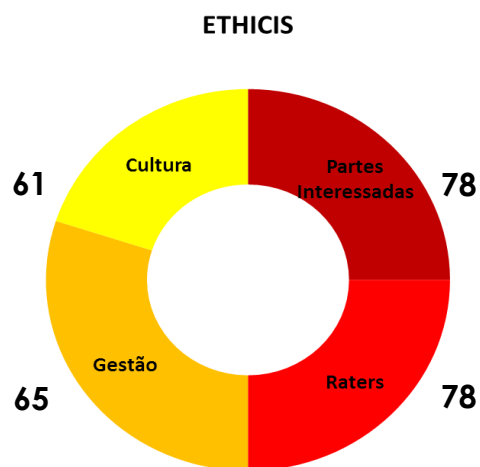


Figure 12
Ethics Index | 2013: Aggregate and partial values



Source: Office of the EDP Ethics Ombudsman

A more participatory, mature and transparent management system

Report our ethical performance

EDP published in 2013, for the first time, the Ethics Ombudsman's Annual Report (relating to 2012), in an attempt to offer a significant contribution to increasing the transparency of the integrity and ethical quality of management decisions and the performance of the EDP Group's employees and, ultimately, increasing the confidence placed in the company by our stakeholders.

A survey of the ethics management system was also conducted in 2013, using a sample of 15% of EDP employees in Portugal.

We can conclude from this survey that only 19% of employees are aware of the Ethics Ombudsman's report, and that the most important contents for them are: actions defined by the Ethics Committee (following complaints placed before it); the number and origin of these complaints; and the subject of the complaints and the undertaking of the proceedings.

The current Report seeks to respond, to a certain extent, to the expectations expressed



Figure 13
The cover of the Ethics Ombudsman's Report | 2012

Employees' comments on the Ethics Ombudsman's Report:

"The actions resulting from valid complaints of ethical failure should be anonymous and published within the organization, with a view to internal improvement."

"It is important that your reports use more 'friendly' language supported with graphics."

"Better dissemination of this content through internal communications channels."

Tópicos mais relevantes do Relatório Anual do Provedor

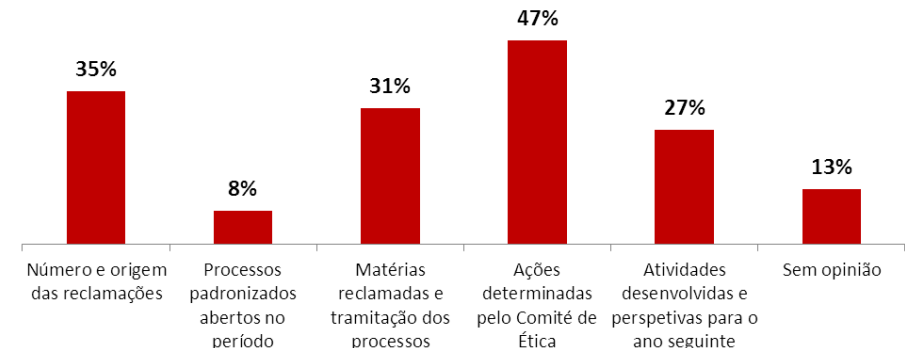


Figure 14
(Partial) results of a survey of the ethics management system

Source: EDP Survey of the ethics management system, 2013 OEO
Sample: 15% of employees in Portugal

A more participatory, mature and transparent management system

Disseminate and promote good business ethics

Co-operation protocol with UCP|CEGEA

A cooperation agreement was signed with the **Applied Management and Economics School of the Portuguese Catholic University**, with a view to improving EDP's ethics management system and of gathering and disseminating good practices in the area of business ethics. This agreement has a medium-term outlook (2013-15) and strengthens the links between the company and the university on a very important matter for both the management of the business and for academia.

Technical support on several current projects and initiatives was provided to the Office of the Ethics Ombudsman in 2013, under the terms of the agreement, particularly on the revision of the Code of Ethics, the design and development of several training modules, the design and development of the Ethicis index, as well as the design and conduct of surveys and the planning and development of the content of internal and external communications.

The Ethics Ombudsman also took part, under this agreement, in three International MBA and Atlantic MBA seminars, where, based on the "éticaedp Program" case study, the EDP Group's approach to ethical performance was presented and discussed.



Figure 15
Report on the Activities of the First Year of the Agreement with the Applied Management and Economics School of the Portuguese Catholic University.

More information on the co-operation agreement between UCP and EDP is available at www.porto.ucp.pt

A more participatory, mature and transparent management system

Disseminate and promote good business ethics

AESE|EDP Chair of Ethics in Business and in Society

The 2013 activities plan of the AESE|EDP Chair of Ethics in Business and in Society, whose mission includes “investigate and disseminate knowledge of ethics that can be effectively integrated into strategic and operational decisions, in leadership and managerial activities and in the development of organizations in general,” included several internal and external auditor initiatives, which included three seminars, all led by IESE professors:

Ethics in Internationalization Processes (68 participants);

Ethics in the Production Chain (32 participants); and

Ethics in Company Restructuring Processes (100 participants);

Considering the results achieved and the vision shared by both institutions in respect to this Chair, we decided to continue supporting it for the period 2014-2016.



Figure 16
AESE|EDP Chair Plan of Activities 2014-2016

More information about the AESE|EDP Chair of Ethics in Business and in Society is available at:

http://www.aese.pt/aese/investigacao/centros_de_investigacao/catedra_aese-edp_etica_na_empresa_e_na_sociedade



A more participatory, mature and transparent management system

Disseminate and promote good business ethics

Other external collaborations in the area of business ethics

In 2013 the Ombudsman took part in two **Lisbon MBA** seminars, in which EDP's approach to the management of ethical performance was outlined.

The Ethics Ombudsman also sat on a panel of the **Global Reporting Initiative (GRI)** Conference on Sustainability and Reporting.

EDP played an active part in the "**Gestão transparente.org**" initiative in 2013, through its Sustainability Department, which is now also available in English in order to strengthen its dissemination within the supply chain.

The Practical Guide to the Management of the Risks of Corruption in organizations aims to empower companies and organisations in the assessment of the risks of corruption in business contexts and in the promotion of good transparency practices.



More information about this initiative and about the bodies involved can be obtained at http://gestaotransparente.org/?page_id=6



Development of complaints in 2013

Development of complaints in 2013

Who complained about what

The Ethics Ombudsman intervened during the year, either directly or through its Representatives in HC Energía and Natargas Energía, and through the Ethics Committees of EDP Brasil and EDP Renováveis, in the proceedings of the **185 complaints registered in the several ethical complaints channels made available by the Group**, as well as in the **six proceedings carried forward from the previous year**.

The breakdown of these complaints by subject is shown in Table 2.

It should be noted that the subject classification of complaints received has been reviewed to ensure they are in line with the new Code of Ethics and to allow for easier reading. It is for this reason that there is no comparative analysis with previous years.

The equivalence table with the new classifications and the points of the Code of Ethics can be found in Table 2.

Fraud, corruption and bribery	•2.2 Financial material 2.2 Corruption and bribery
Environment and social responsibility	•2.5 Corporate social responsibility Commitment to PI : 3.5 Community
Use of information and property assets	•2.2 Use of information 2.2 Use of property assets Commitment to PI: 3.3 Customers and 3.1 Employees
Transparency	•2.4 Transparency Commitment to PI : 3.1 Employees, 3.2 Shareholders 3.3 Customers and 3.4 Suppliers
Fairness of solutions	•2.2 Conflict of interest Commitment to PI : 3.1 Employees, 3.2 Shareholders 3.3 Customers and 3.4 Suppliers
Negligence or disrespect	•2.1 Legislation 2.3 Human and Labor Rights Commitment to PI: 3.4 Suppliers and other PI

Table 2
Correspondence between thematic classification and Code of Ethics articles

Development of complaints in 2013

Who complained about what

The topic “Fairness of solutions” is most significant, with 73% of the complaints concentrated therein. Under this item we find many of the customer complaints that for the most part cannot directly qualify as being “of an ethical nature”, but rather due to the misguided or pressured use of this channel of contact with the Ethics Ombudsman. However, this does not mean that the majority of these complaints, although eminently commercial, do not indicate some failure by EDP to fulfill its commitments to its customers or under the Code of Ethics, and it increasingly reveals customer demands in respect of these commitments.

The remaining 50 complaints are spread out across the “Negligence or disrespect” and “Environment and social responsibility” items, each of which represents around 8% of the total, and “Use of information or of property assets” (6%), “Transparency” (4%) and “Fraud, corruption and bribery” (3%) items.

The number of these complaints registered in 2013 represents a fall of approximately 11% compared to the previous year, with 60% of complaints originating in Portugal, 33% in Brazil and 7% in Spain (Figure 18).

There were no complaints registered in any of the other countries in which EDP operates.

Número de reclamações por natureza

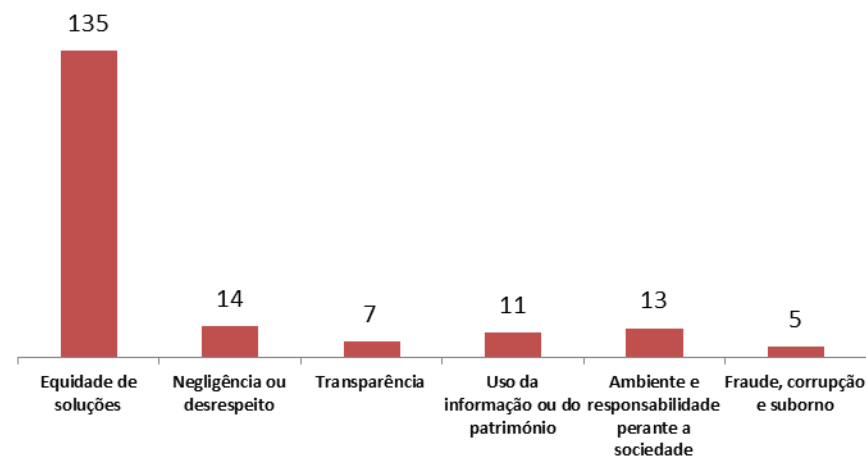


Figure 17
Complaints registered in 2013: Classification by nature

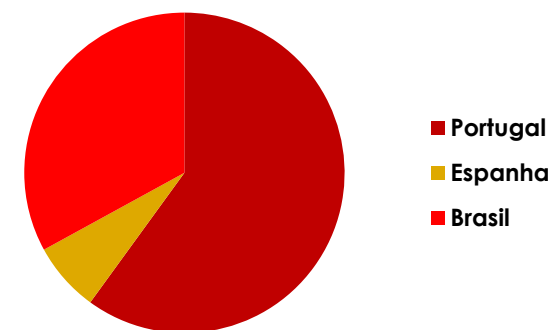


Figure 18
Complaints registered in 2013: Classification by origin



Development of complaints in 2013

Newly opened ethical complaints

Of these 185 complaints, only 35 gave rise to new proceedings before the EDP Ethics Committee, in accordance with the regulations (“standardized processes”), with the remainder being subject to expedited proceedings within the business units concerned due to them not having any ethical dimensions (“simplified processes”).

The number of open standardized proceedings in 2013 represents an approximately 30% increase on the previous year.

Figure 20 shows the evolution of the number of new standardized proceedings, by origin, presented to the Ethics Committee in 2013.

From this we note that ethical complaints from customers account for around 37% of the total. This is followed by Employees and Citizens, with identical weight (23% and 20%, respectively) and then by Suppliers (9%). Finally, 11% of complaints before the Ethics Committee in 2013 were anonymous.

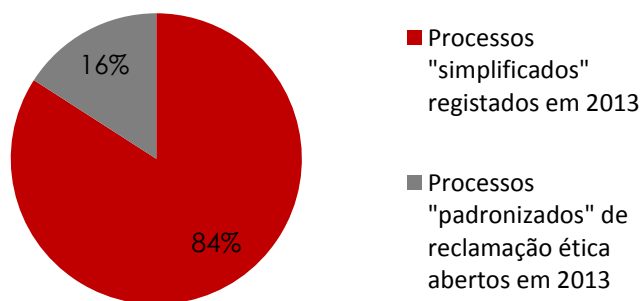


Figure 19
Open complaints registered by the Ombudsman in 2013

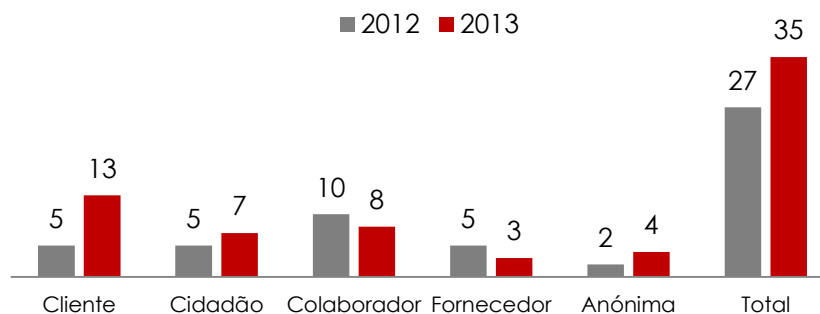


Figure 20
New complaints before the Ethics Committee in 2013, by origin



Development of complaints in 2013

Newly opened ethical complaints

The clearly dominant themes by subject (see Figure 21) are “Fairness of solutions” and “Negligence or disrespect” which together represent almost 75% of all new standardised proceedings opened during the year.

None of the five complaints received in 2013 and filed under the category “Fraud, corruption and bribery” gave rise to standardised processes that went before the Ethics Committee, by the fact they relate to alleged frauds in “metering equipment”, which are the responsibility of third parties.

In the analysis by subject and origin (Figure 22), we note that regarding the majority of the standardised proceedings opened during this period, the topics “Fairness of solutions” and “Negligence or disrespect” cut across all complainants.

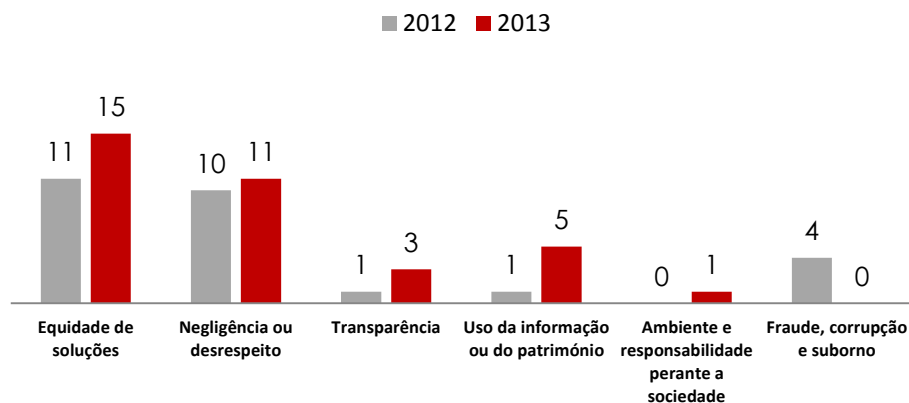


Figure 21
New complaints before the Ethics Committee in 2013, by subject

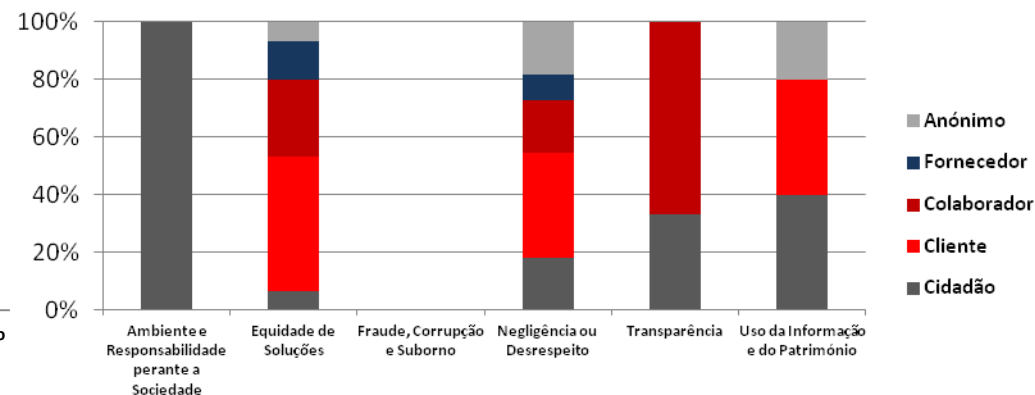


Figure 22
Distribution by subject and origin of new complaints before the Ethics Committee in 2013

Development of complaints in 2013

Complaints examined and actions defined by the Ethics Committee

The EDP Ethics Committee met twice in 2013, with a member attendance rate of 68%, and with all absences properly accounted for.

Of the 41 standardized cases investigated by the Ethics Committee, 27 were closed (21 referred from Business Units headquartered in Portugal and six in EDP Brasil), with the remaining 14 carried over to 2013, pending confirmation.

The average time taken for the Ethics Committee to issue its report was 96 days; however, in 50% of cases this exceeded the recommended deadline of six months established in the Code of Ethics for the resolution of complaints.

The committee's decisions in respect of proceedings closed during this period were as follows: Upheld 18 (67%); Rejected 7 (26%); and Inconclusive 2 (7%) The distribution of these decisions according to the origin of the complaint is shown in Figure 23.

Complaints examined by the Ethics Committee in 2013					
	carried forward from 2012	opened in 2013	total	closed in 2013	carried forward to 2014
EDP (PT)	4	29	33	21	12
EDP BR	2	6	8	6	2
HCE/NGE	0	0	0	0	0
EDPR	0	0	0	0	0
Total	6	35	41	27	14

Table 3
Complaints examined by the Ethics Committee

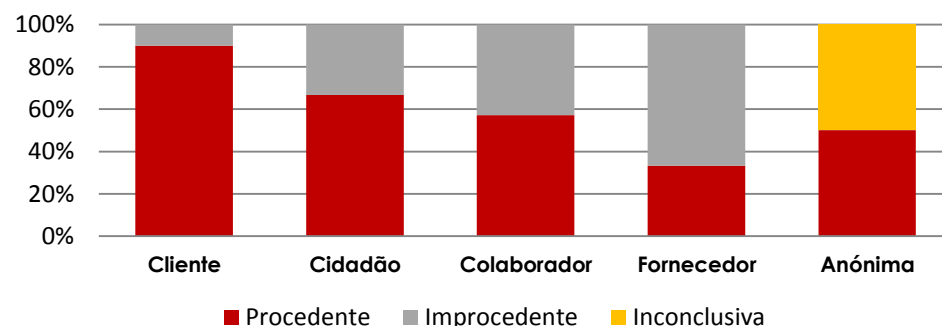


Figure 23
Ethics Committee decisions, by complaint origin



Development of complaints in 2013

Complaints examined and actions defined by the Ethics Committee

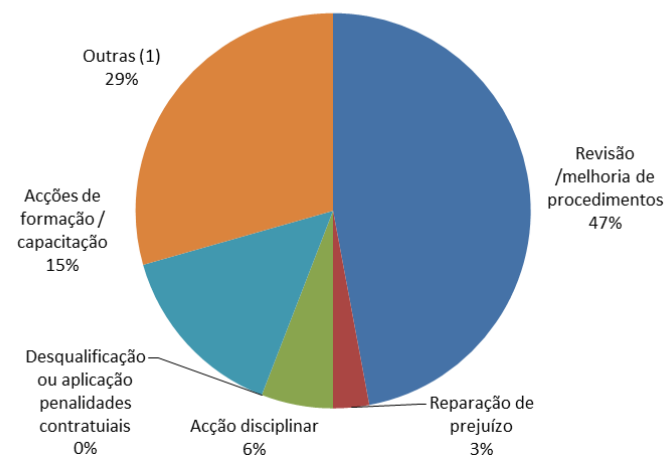
The actions defined by the Ethics Committee, in relation to matters pertaining to proceedings that were closed in 2013 are shown in Figure 24.

Note that, just as in the previous year, these decisions were mainly directed at the revision and improvement of procedures and the training/education of employees or suppliers.

Note also the large number (29%) of decisions classified as “others”, which include: monitoring of process performance, assessment of the effectiveness of initiatives, authorizing criminal investigation, etc.

The initiatives to review and improve processes and procedures, determined by the Business Units following the reports from the Ethics Committee, are monitored directly or through information provided to the Ethics Ombudsman.

Acções determinadas pelo Comité de Ética



(1) includes monitoring of process performance, assessment of the effectiveness of initiatives, authorizing criminal investigation, etc.

Figure 24
Complaints closed in 2013: actions defined by the Ethics Committee

Development of complaints in 2013

Assessment of complainant satisfaction

In order to obtain performance indicators that can be integrated into the Ethicis Index and for framing the initiatives to improve EDP's ethics complaints' process management, a satisfaction survey was conducted among the authors of the 26 complaints heard in 2013.

The response rate was 76%, with variations by complainant as shown in Figure 26.

The initiatives already taken at the operating level of the Ethics Committee allowed for an improvement in 2014 of the levels of satisfaction relating to the time taken to receive a reply.

Opinions of employees concerning the ethics complaints process management:

"Keep doing what you're doing: simple and effective... Congratulations."

"I would suggest that when the committee prepares its opinion that it be identifiable: i.e. all the people on the committee are identified."

"The content of the final reply (?) referring to future changes to internal procedures and the fact that there is no subsequent feedback makes the process less clear for those who complain and about what was attended to in the complaint. That is, it would be relevant to obtain actual data about what was changed and when."

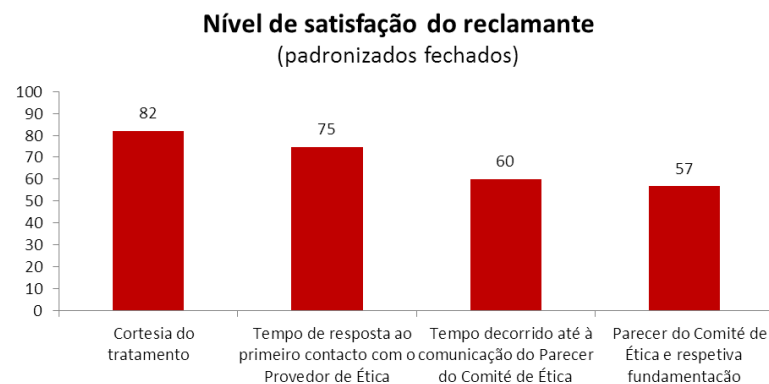


Figure 25
Processes closed in 2013: level of complainant satisfaction

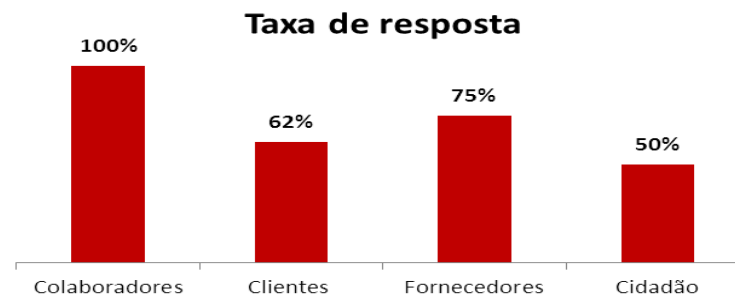


Figure 26
Response rate to complainant satisfaction survey 2013



Conclusions and opinions

Conclusions and opinions^(1/2)

This report, meeting the requirements established in 2.2.2 vii) of the Code of Ethics, provides an account of the initiatives undertaken and their results, as well as those that, as a result, are under way or planned for 2014 in matters relating to the management of EDP's ethics performance.

1. Development of the EDP ethics management system

It has been possible to realize some important initiatives in 2013 to confer greater maturity and transparency to this system, besides the general improvement of the EDP ethics performance system — which can be seen in the benchmark indicators — in particular: the revision of the EDP Code of Ethics, the first version of which dated from 2005; the internal and external publication of the Ethics Ombudsman's Annual Report; the development and implementation of a Corporate Ethical Performance Index (Ethicis), which has also been made public; and the inclusion of the theme of business ethics when training and welcoming new employees in Portugal.

It is the opinion of the Ethics Ombudsman that this work opens new possibilities for action and co-operation, taking into account the management aims set out by the Executive Board of Directors in matters of business ethics. From this perspective we must focus on those initiatives that are more able to contribute to the strengthening of a culture of transparency and accountability and on the prevention of the appearance of bad ethical practices, ensuring business ethics matters are of interest and can constitute a focus for aggregating an increasing number of organisational and business units and, in this way, become part of the daily experience of employees and suppliers, in the context of their respective activity attributions. The alignment of the policies and sectoral codes of conduct with the principles and commitments contained in the new EDP Code of Ethics should also be assured.

2. Adapting the tools of the management system

Most recent developments in the EDP ethics management system, noted above, imply the need to give continuity to the processes for revising the main elements of the system. This is the case with the Code of Ethics Regulations, which must adapt itself to the new version of the Code of Ethics and the experience gained so far.

This is also the case with the Group's Ethics Committee. Its composition and operational rules are expected to be revised in order to provide it with greater representativeness and enhanced operability.



Conclusions and opinions(2/2)

3. Ethics complaints process management

Recourse to existing ethic complaint channels within the Group remains relatively stable, both in respect of the number and the nature and origin of complaints received.

The processing of these complaints, and especially those in the “simplified proceedings” has been greatly streamlined. However, there is still a level of insufficient performance concerning the deadlines associated with the processing of complaints that are brought before the Ethics Committee (standardized proceedings), which has resulted in low levels of satisfaction from the authors of these complaints.

The changes that have already been introduced to the way in which the Ethics Committee operates, and those that will come about as a result of the changes to its composition and rules of operations, which have also been mentioned above, will ensure significant improvement in its performance.

The publication of the number and origin of the complaints and of the decisions reached by the Ethics Committee and the respective outcomes, represent the aspects most appreciated by employees.

It is the opinion of the Ethics Ombudsman that the initiative to create a database of complaints, duly organized and anonymous, and of the reports about them from the Ethics Committee, as well as the improvements to the associated implementation of the procedures in the Business Units outlined in those reports, will contribute to improving the efficacy of EDP’s ethics complaints process management, to an increase in the trust deposited in it by the many stakeholders and, above all, to an improvement in the company’s ethical performance.



Outlook for 2014 ^(1/2)

2014 will, from the point of view of the evolution of the ethics management system, be shaped by three particularly important initiatives:

1. The publication of the new Code of Ethics following its approval at the end of 2013, and the process of its adoption (and adaptation, when necessary) by the Business Units based outside Portugal (HC Energia, Naturgas Energia, EDP Renováveis and EDP Brasil), and by the EDP Foundation. This process will involve new periods of reflection on the meaning of our ethical principles and commitments, on the specific conditions within each business, and with the strengthening of communication initiatives concerning the Code of Ethics and material associated with the experiences of business ethics in EDP, through the different channels used by the Group;
2. The development of a project seeking the identification and assessment of the main risks of engaging in “bad ethical practices”, that can make it possible to trace the risk profiles of the different areas of “organizational competences” in the Group and in its supply chain, as well as those associated with a standardized number of roles/posts.
3. The design, preparation and start of a new ethics training and awareness program in all of the Group’s organizational and business units. This will be a form of blended learning, developed in co-operation with the EDP University, which will be made up of two units of training on the EDP on-line campus and will be available to all employees, and another classroom based course that will be available to managers and other employees.



Outlook for 2014 (2/2)

In 2014, it is also envisaged:

4. The clarification of ethical skills through the Skills Assessment process and in the performance of Group employees, in the framework of the current revision initiatives;
5. The design of a training module in ethics destined for new managers;
6. An improvement in communications about ethics, particularly in relation to the content of EDPOn and the EDP site, which is expected to include a representative database of the ethical complaints and the respective Ethics Committee opinions;
7. The perfection of the Ethicis Index through the inclusion of new indicators of risk and of ethics experience;
8. The production of a teaching case study about “Consistency between words and deeds: the EDP Code of Ethics”;
9. Enhancing the relationship with the Ethisphere Institute and improving the benchmarking information obtained by it;
10. Continuation and enhancement of co-operation with external bodies, in particular with the universities and business schools, on matters of business ethics;
11. Preparation of a proposal to revise the Code of Ethics Regulations, for approval by the competent bodies within the Group by the end of the year.

Any of these strongly interrelated initiatives will imply the continued collaboration of many people, with different jobs and expertise, within and outside the Group, on issues that are key for the development of our ethics management system, and which will also contribute to the consolidation and dissemination of the EDP’s ethics culture.

The Ethics Ombudsman expects that the implementation of actions defined by the Ethics Committee, referred to in this report, as well as the initiatives that are under way or scheduled for the current year, involving employees and our business partners, making them aware of the importance of respect for the principles and commitments contained in the EDP Code of Ethics, will contribute in a positive and sustainable manner to superior performance on matters of ethics, as demanded by the vision of excellence and leadership projected by EDP.



Acknowledgments

To end this report, the Ethics Ombudsman would like to thank:

The General and Supervisory Board and the Executive Board of Directors for the trust and support they have demonstrated in relation to the many initiatives launched by the Office of the Ethics Ombudsman and for creating the necessary conditions so that the Ombudsman may perform this role in compliance with the principles of independence, proximity and impartiality, that should underlie the role.

The members of the Boards of Directors of the Business Units and the managers of the Corporate Centre with whom it interacted to obtain the necessary information to prepare the preliminary reports and opinions to be submitted to the Ethics Committee or for the rapid processing of the complaints registered. The Ombudsman also expresses its gratitude for their spirit of collaboration and their availability and understanding.

The representatives appointed in HC Energía, Naturgas Energía, EDP Brasil and EDP Renováveis, for the interest, availability and support provided in seeking to improve the performance of the ethics management system of the EDP Group and its external reporting.

The members of the éticaedp focal points group for their engagement and enthusiastic involvement in the many projects they have been asked to be involved in over the course of the year; and, finally,

Joana Dinis of the General Secretary and Legal Advice Department, colleagues at the Sustainability Department of the Corporate Centre and all those, inside and outside the Group, who supported and actively contributed to the results achieved in 2013 by the Office of the Ethics Ombudsman.

A special thanks is due to António Marrachinho Soares of the Sustainability Department, for his invaluable support throughout the EDP Code of Ethics revision process in 2013.

Lisbon, 29 May 2014

Ethics Ombudsman



(José Figueiredo Soares)



Appendix 1 — Ethics Ombudsman Group of Representatives and éticaedp focal points

Name	Business Unit/organisation Unit
Representatives	
Borja Pérez Dapena	EDP Renováveis
Emilio Garcia-Conde Noriega	EDP Renováveis
José Luis Martínez Mohedano	HC Energia / Naturgás
Rafael Careaga Arlunduaga	HC Energia / Naturgás
Sónia de Sá	EDP Brasil
éticaedp focal points	
Américo Fernandes	EDP Gás
António Marrachinho Soares	EDP Sustainability Department
António Ribeiro dos Santos	EDP Distribuição
Carlos Manuel Carvalho	EDP Produção
Isabel Botelho	EDP Comercial
Isabel Infante	SÃVIDA
Joana Dinis	EDP Comercial
José Queirós Almeida	EDP Energias do Brasil
Leonilde Simões	EDP Valor
Luis Oller	EDP Renováveis
Manuel Fernández Fernández	EDP Renováveis
Margarida da Glória	EDP Brand and Communication Department
Maria Ana Guedes	EDP Human Resources Department
Maria Ester de Carvalho	EDP Internal Audit Department
Natália Leite	EDP Brand and Communication Department
Paulo Moniz	EDP, Information Systems Department
Ricardo Ferreira	EDP Regulation and Competition Department
Rita Monteiro	EDP Institutional Relations and Stakeholders Department
Rui Jerónimo	EDP Risk Management Department
Rui Matos Cunha	EDP Comercial Solutions
Salvador Peres	EDP Foundation
Verónica Pinto	EDP University



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somos o que fazemos

Ethics Ombudsman

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