





all we need is earth

Mother Earth is the source of all our energy.

For her sake, we believe that the future is generating cleaner energy.

For her sake, we are at the cutting edge of sustainable development.

For her sake, we use the most advanced technologies.

For her sake, we are so close to nature.

For her sake, we are us.



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message from the chairman

To the Shareholders

1. The year 2009 was in many regards unique. As expected, the financial crisis that started in September 2008 developed into an economic crisis, resulting in a sharp and widespread drop in GDP in almost all the world economies. Large waves of unemployment caused a serious social and political crisis, with all signs pointing towards a worsening of the situation in 2010.

In terms of macroeconomic indicators, we should highlight (i) the decrease in GDP in economies including Germany (5%), the United Kingdom (4.6%) and the USA (2.8%); (ii) the unemployment rates in Germany (7.6%), the United Kingdom (7.9%) and the USA (10%); (iii) the deterioration in national budget deficits; (iv) the sharp drop in inflation, to the point of there being a very real possibility of deflation; and (v) interest rates at close to zero to complement the expansionist monetary policies adopted.

2. In terms of the main economies in which EDP operates, we should highlight the following:

- a. **Portugal**, in the midst of several electoral processes, was unable to escape the crisis, as revealed by several indicators, such as (i) a decrease of 2.9% in GDP; (ii) unemployment reaching 10.3%; (iii) a budget deficit of around EUR 13 billion (9.3% of GDP); (iv) consumer spending down by 0.9%; and (v) a drop of 1.4% in electricity consumption.

The Portuguese government continued to focus special attention on the energy sector, launching important initiatives to promote (i) renewable energies, which were boosted by the start of construction on new hydroelectric power stations as part of the National Dam Plan, in addition to a number of capacity increases and important investments in solar energy; and (ii) energy efficiency.

The start of 2010 was marked by a number of political issues, in particular the State Budget and the markets' reaction to the situation in some of the Mediterranean economies: Greece, Spain and Portugal.

- b. In **Spain**, the crisis was particularly severe, with GDP decreasing by 3.7% and unemployment rising to 19.4%. Electricity consumption dropped by 4.5% and natural gas consumption by 10.5%.
- c. The **European Union**, which re-elected its Commission President, had to manage complex issues to mitigate the effects of the crisis, relaxing the requirement to comply with the 3% budget deficit limit for member states in the



message from the chairman

Eurozone. This target must be met by 2013, however, which will require great discipline, tightening and sacrifices in public spending by countries such as Portugal.

The European energy policy maintained its priorities, focusing on security of supply, the development of renewable energies and combating climate change.

Directives 2009/72/EC and 2009/73/EC on the electricity and gas markets, respectively, were published on 14 August, providing new impetus to the Internal Energy Market.

d. In **Brazil**, the crisis was felt less intensely as GDP rose slightly, albeit by less than 1%. Installed capacity in the electricity sector grew by 3.6 GW, an increase of 3.5% in 2009. Electricity consumption fell by only 1.1% in relation to 2008, benefiting from a strong recovery in industrial consumption towards the end of the year. 2009 was marked by the “blackout” which affected several states, including São Paulo and Espírito Santo, where EDP enjoys considerable market share in distribution.

e. The **USA** wrestled with the effects of the financial crisis, epitomised in the bankruptcy of Lehman Brothers in 2008, and the economic crisis, with a rise in unemployment to 10% and an enormous public debt of over USD 12.3 trillion, around 79% of GDP. The year was also marked by the swearing-in of President Barack Obama on 20 January 2009.

The focus placed by Obama on the energy sector and the promises he made during his election campaign resulted in a number of measures that impacted on EDP’s activity in the country, including (i) the extension of PTC (Production Tax Credits) until the end of 2012, and (ii) the introduction of new tax incentives for renewable energies.

Investors in the US renewable energies sector must always take into account the complex nature of energy affairs in this country, pondering how best to modernise generation and transmission in the electricity sector, improve energy efficiency and reconcile the powerful interests installed, which is not always easy.

3. The Copenhagen Summit took place at the end of 2009. The objective was to achieve a binding climate agreement between UN member states that would limit global warming to 2°C by 2050, through the reduction of greenhouse gas emissions.

The summit did not achieve its aims. The main obstacle was the difficulty in reconciling the costs of combating climate change with the amount of financial support required to support sustainable development in developing nations.

4. Given this backdrop to EDP’s activity in 2009, we should highlight the manner in which the Company was able to face and overcome the difficulties it encountered, closing the year with very good results and economic and financial indicators. EDP recorded net profits of EUR 1,168 million, only 3,7% down from the previous year results, which were greatly aided by the proceeds from the EDP Renováveis IPO.

Despite the huge demand for financial resources for investment, renewable energies constituted EDP’s engine of growth, aided by rational cost management, a successful financing policy and the special care taken to develop human resources. Even so, the main drivers of profitability and funds release continue to be the more conventional activities of generation, distribution and supply of electricity and gas.

As in previous years, the Annual Report takes a detailed look at the operations of the EDP Group’s different companies. This does not prevent us, however, from highlighting a number of these in this introduction:

- The securitisation of the tariff deficits accumulated between 2007 and 2009, performed in two operations: the first worth EUR 1.2 billion and the second EUR 435 million.
- The rating of 82 points achieved by EDP on the Dow Jones Sustainability World and STOXX Indexes, the best of any European electricity company.

- The acquisition from Gas Natural of high-pressure natural gas distribution assets in the Basque Country, Asturias and Cantabria, as well as distribution and supply networks in Murcia and Cantabria, making EDP the second largest distributor and third largest supplier of gas in Iberia.
- The new wind farms to increase capacity in the USA by 701 MW, France/Belgium by 80 MW, Iberia by 74 MW and Brazil by 14 MW.
- The restart of construction on the Baixo Sabor hydroelectric power station in September, and the start of construction at Ribeiradio in November.
- The entry into operation of the Lares thermoelectric power station on 25 November, with a total capacity of 862 MW.
- The award of rights to develop 1.3 GW of offshore wind capacity in the United Kingdom, a project due to commence in 2015.

In this report, the GSB aims to disclose its activity to EDP shareholders and stakeholders according to the highest standards of transparency and accuracy, and is confident of its capacity to continuously improve governance practices at EDP and set the corporate standard both in Portugal and internationally. There is still a long way to go in terms of developing continuous supervision mechanisms that are genuinely independent, effective and efficient. The origins of this recent crisis lay in hugely prestigious financial institutions operating under the close scrutiny of the most reputable auditors and managed according to the best in known management practices, a fact which serves to highlight the importance of supervision by bodies elected by shareholders for the purpose. This has been the main concern of the undersigned, as Chairman of the EDP General and Supervisory Board.

5. I would enjoin you to take my acknowledgements sincerely and not as a mere formality for closing this type of annual report introduction.

Allow me to start by thanking the shareholders, who reiterated their confidence in the corporate bodies by re-electing them to office at the 2009 General Shareholders' Meeting.

A special vote of thanks is due to António Mexia, not only for the way in which he has steered EDP's fortunes, improving the Group's profitability, efficiency and image, but also for the way in which he has effectively created the conditions for me to exercise my duties as Chairman of the supervisory body with the autonomy and diligence required of this task. The remaining members of the EBD also deserve my sincerest gratitude, for the diligence with which they have performed their roles and for their constant availability to assist me in my work.

Lastly, I would like to extend a very special thank you to my colleagues on the General and Supervisory Board, for the support they have provided me in the exercise of my duties.





1. EDP'S GOVERNANCE MODEL

Of the companies listed on the NYSE Euronext PSI 20, only EDP and BCP have adopted the so-called two-tier governance model. EDP's corporate bodies commenced their second term of office in 2009 under the aforementioned governance model, revealing the continued confidence it enjoys from shareholders.

The report on corporate governance structures and practices is presented in the Annual Report and in the statement of compliance with the Corporate Governance Code recommendations, published by the CMVM in 2007.

Within the scope of its powers, the GSB has actively promoted internal debate on best corporate governance practices and, together with the EBD and EDP shareholders themselves, has sought to implement those that are best suited to EDP's particular circumstances and requirements. In this regard, an internal debate was held on the draft Corporate Governance Code and regulations published by the CMVM on 14 July 2009, and the GSB and the EBD together participated in the subsequent public consultation process.

A general consensus exists that there is no universal corporate governance model that can be applied to all companies indiscriminately. Every company should be free to develop its own governance model based on good practices, guided by the interests of the company and taking into account the social, political, economic and cultural context in which it conducts its operations.

However, it is also accepted that there should exist a standard which enables comparisons to be made between companies. This is the role of the CMVM Corporate Governance Code. In this regard, as described in EDP's 2009 Governance Report, the GSB can report that EDP has failed to adopt only one of the recommendations put forward (Recommendation I.6.2). According to the explanation provided, it is understood that the rule set forth in EDP's Articles of Association is sufficient to fulfil the aim of this recommendation.

Although not recommended by the Corporate Governance Code, the GSB has encouraged the adoption of certain measures to ensure that EDP sets the standard in terms of best governance practices:

- Tightening the formal independence criteria for GSB members, such that independent status cannot be granted to anyone with a direct or spousal connection to a relative up to the 3rd degree who:

- * Holds, manages, is contractually bound to or acts on behalf of holders of a qualifying

shareholding of 2% or more in the share capital or voting rights of EDP or any of its subsidiaries.

- * Holds, manages, is contractually bound to or acts on behalf of holders of a qualifying shareholding of 2% or more in the share capital or voting rights of a competitor of EDP.
- * Receives any remuneration, even if suspended, from EDP, its subsidiaries or any dependent non-profit institution, except for the execution of duties as a member of the GSB.
- * Has been re-elected for more than two consecutive or non-consecutive terms of office.
- Formalising a rigorous assessment mechanism to ensure that the aptitude requirements for GSB members continue to be met, in terms of both incompatibilities and independence.
- Due to the existence of non Portuguese-speaking members on the GSB, providing simultaneous translation at meetings and support documents in English.
- Making the support documentation for meetings available on average one week in advance of GSB meetings.
- Encouraging the use of electronic means to participate in meetings.
- Running initiatives to provide information on the EDP businesses, both during the actual meetings and outside this context (ex. workshops).
- Taking further measures to guarantee the independence of the external and statutory auditors, by implementing specific rules governing the provision of non-audit services, as follows:
 - * Identifying a range of services that they may not provide.
 - * For services that are permissible, securing FC authorisation prior to contracting such services.
 - * Setting a limit to the fees payable for non-audit services, at 30% of those payable for audit services.
 - * This limit may be exceeded in exceptional circumstances, subject to a joint decision from the Chairman of the GSB and the FC, which occurred in 2009.

In conclusion and based on its experience so far, the GSB believes that, from a conceptual perspective, the two-tier model in force at EDP:

- Allows a healthy division of powers between the different corporate bodies: management, supervision and auditing.
 - Possesses an adequate level of flexibility, allowing synergies from the division of powers to be optimised.
 - Is suited to the corporate organisation of EDP's activity, primarily because it ensures a fair balance between the broad and flexible powers required by management, and the effectiveness of both general corporate supervision and specific supervision in genuinely sensitive areas.
 - Reveals how the functional relationship between the GSB and the EBD was highly positive and effective in the choice of issues addressed, and efficient in how matters were pursued and dealt with.
- Shows how the institutional coordination between the GSB and the EBD, as well as the dedication of members of the GSB, are necessary to promote high quality governance practices and enable the governance model to be optimised in terms of:
 - * The mechanisms allowing the GSB access to information.
 - * Widening the scope of functions the GSB performs with regard to subsidiaries.
 - * The allocation of human and technical resources commensurate with the GSB's powers.



2. GENERAL AND SUPERVISORY BOARD

2.1 MEMBERSHIP

Under EDP's Articles of Association, the GSB must have no fewer than nine members and always more than the number of directors. It must also consist of a majority of independent members. The Chairman of the Board of the GSM is automatically a member of the GSB.

On 15 April 2009, the GSM elected the members to their current term of office, which runs from 2009 to 2011. With regard to the previous composition of the GSB (at 31 December 2008), the following changes occurred:

- The following members resigned their positions:
 - * António Francisco Barroso de Sousa Gomes (15 April 2009).
 - * Vital Martins Moreira (6 March 2009).
 - * Vítor Domingos Seabra Franco (4 March 2009).
- The following new members were elected: (i) António Sarmento Gomes Mota; (ii) José Manuel dos Santos Fernandes; and (iii) Ricardo José Minotti da Cruz Filipe.

On 3 February 2010, Mohamed Meziane resigned his position as GSB member representing Sonatrach, which on 10 February appointed Farid Boukhalfa to take his place.

Therefore, pursuant to the decision of 15 April 2009 and including the aforementioned changes, the GSB is composed of 17 members, of whom 9 have independent status:

- António de Almeida - Chairman
- Alberto João Coraceiro de Castro – Vice-Chairman – Independent
- António Sarmento Gomes Mota – Independent
- Carlos Jorge Ramalho dos Santos Ferreira
- Diogo Campos Barradas de Lacerda Machado – Independent
- Eduardo de Almeida Catroga – Independent
- Farid Boukhalfa (representing Sonatrach)
- Fernando Manuel Barbosa Faria de Oliveira
- José Manuel dos Santos Fernandes – Independent
- José Maria Brandão de Brito (representing Cajastur)
- José Maria Espírito Santo Silva Ricciardi
- Khalifa Abdulla Khamis Al Romaihi
- Manuel Fernando de Macedo Alves Monteiro – Independent
- Ricardo José Minotti da Cruz Filipe – Independent
- Rui Pena (Chairman of the Board of the GSM) – Independent
- Vasco Maria Guimarães José de Mello

- Vítor Fernando da Conceição Gonçalves – Independent
The Annual Report (under "EDP Corporate Bodies") provides a short curriculum vitae for each of the GSB members.

2.1.1. INCOMPATIBILITIES AND INDEPENDENCE REGIME

The members of the GSB are subject to a vast number of rules on incompatibilities with their position laid down by law and the Articles of Association. The qualitative rules governing the body's composition also require a majority of GSB members to be independent.

As part of the commitment to adopt only the best governance practices, during the previous term of office a procedure was developed to check compliance with the requirements prohibiting incompatibilities and, where applicable, to ensure the independence of GSB members.

This procedure includes the following elements:

- Acceptance of the position of GSB member is made by means of written statement which also declares:
 - * Adequate knowledge of the rules laid down by law, regulatory mechanisms and the Articles of Association applicable to their activity and that of the Company.
 - * Unreserved acceptance of the provisions set forth in the GSB internal regulations.
 - * The inexistence of any incompatibility with the exercise of duties as a GSB member, pursuant to the law or Articles of Association.
 - * Fulfilment of the requirements for independence, pursuant to Article 8(1) of the IR, if elected as an independent GSB member.
 - * The obligation to report to the CGSB any supervening facts that may create a situation of incompatibility or loss of independence, or, in the case of the Chairman, to report such facts directly to the GSB.
- Within 30 days of the start of each financial year, the members of the GSB should renew their statements confirming the inexistence of incompatibilities and, if applicable, fulfilment of the independence requirements.
- Each year, the GSB conducts a general assessment of its members with regard to the application of the rules on incompatibilities and independence.

- Pursuant to the GSB IR, the existence of an incompatibility automatically terminates a term of office and the member in question should take the initiative to resign with immediate effect.

Immediately after accepting their election, the members of the GSB signed a statement attesting to the inexistence of incompatibilities and, where applicable, the fulfilment of the independence criteria.

The aforementioned statements were scrutinised at the GSB meeting of 7 May 2009 and no cases of non-compliance with the rules were detected.

In January 2010, the members of the GSB submitted a statement confirming the inexistence of incompatibilities and the fulfilment of the independence criteria, where applicable. This document was accompanied by a duly completed questionnaire, which served to support the aforementioned statement.

Thus, according to the internal procedures defined for the purpose and with reference to CMVM Regulation no. 1/2010, the GSB declares, based on the information collected for the purpose, and on the conclusions from the meeting of 4 March 2010, that no situation was found which:

- Revealed incompatibilities regarding its members.
- Was liable to affect the independence of the members identified as such in point 2.1.

2.2. DUTIES

The GSB's main mission is to advise, monitor and supervise the management of EDP on a permanent basis, cooperating with the EBD and other corporate bodies in pursuing the company's interests as required by law and the company's Articles of Association, in particular Article 22.

A complete description of the powers of the GSB is provided in the Corporate Governance Report. The following elements of these duties should be highlighted in light of their particular importance:

- The role of supervising EBD activities should be understood in the broadest sense, with shareholders requiring that this be performed on a permanent basis pursuant to Article 22(1) (a) of the Articles of Association, to ensure that all of EDP's shareholders and stakeholders are adequately protected.

- The monitoring of directors' activity is not limited to EDP, but also covers all of its subsidiaries. However, given the large number and different sizes of these companies, the GSB has decided to focus especially on the following:

- * EDP Renováveis, S.A. (including NEO and Horizon)
- * EDP – Gestão da Produção de Energia, S.A.
- * EDP Distribuição – Energia, S.A. (including EDP SU)
- * EDP Comercial – Comercialização de Energia, S.A.
- * EDP Gás, SGPS, S.A.
- * EDP Energias do Brasil, S. A.
- * Hidroeléctrica del Cantábrico, S.A.
- * Naturgas Energia Grupo, S. A.

- All materially relevant operations are systematically scrutinised by the GSB by means of the prior opinion process, including acquisitions, financing, investments and operations of particular strategic significance.

- The clarification of issues that by their nature may have implications for EDP's image.

2.3. ORGANISATION AND FUNCTIONING

The GSB is organised as required by law and the Articles of Association. Recommendations on best governance practices for listed companies have also been taken into consideration, in particular the Corporate Governance Code.

Based on this framework and with a view to seeking its own identity in line with best corporate governance practices, at its meeting of 7 May 2009 the GSB approved its new IR, which are available on the EDP website at www.edp.pt. In this regard, the main changes introduced include:

- Clarifying responsibility for the exercise of GSB powers, even where these are delegated – Article 5(1).
- Using the designation "Financial Committee/Audit Committee" instead of "Audit Committee" – Article 5(1)(a).
- Revising the rules governing the status of GSB Members in terms of aptitude, incompatibilities and independence – Articles 6, 7, 8 and Appendices.
- Formalising the procedure for evaluating GSB activity and proposing the dismissal of GSB members for just cause – Articles 11 and 12.
- Reinforcing the coordination mechanisms between the GSB and the EBD and between their Chairmen in particular – Article 16(4), (5) and (6).



- Addition of a new article on the institutional relationship between the GSB and the statutory and external auditors – Article 17.

However, the GSB believes that the importance of the IR plays a secondary role when the various agents involved are able to interpret their duty correctly as pursuing the sole interest of the company. Regardless of improvements, which are always welcome, this belief has supported the development of the institutional relationship between the GSB and the EBD and ensured compliance with the various legal and regulatory provisions.

The GSB operates in plenary and through specialised committees, to which the GSB delegates the exercise of certain duties while retaining ultimate responsibility.

Under EDP's Articles of Association, ordinary plenary meetings must be held at least once every quarter. However, as has occurred in previous years, this number has been exceeded due to the specific requirements of the EDP Group's business. The GSB meets in extraordinary sessions whenever the nature, importance or urgency of matters so require.

In the exercise of his powers under the law and the Articles of Association, the CGSB is responsible for representing the GSB and organising its activities, as well as striving to ensure the correct implementation of its decisions. Given the broad composition of the GSB, the CGSB is the main intermediary between the activities of the GSB and the EBD, in the same way as the CEBD is exclusively responsible for the EBD's relations with the GSB. It falls to the two Chairmen to stay in direct and permanent, formal and informal contact and inform each other of the main events in the day-to-day management of the company and matters relating to supervision.

Aside from plenary and committee meetings, the CGSB selects issues for clarification with the CEBD, informing the GSB members as and when required.

The Articles of Association also allow the CEBD to attend GSB meetings without voting right and entitle the Chairman of the GSB to attend EBD meetings when he sees fit, also without voting right.

2.4. SPECIALISED COMMITTEES

Given the nature and duties attributed to it, the GSB created specialised committees to deal with issues of particular importance. These committees are composed of suitably qualified, experienced and available members and their main task is to monitor the matters entrusted to them on a permanent basis, in order to facilitate the GSB's decision-making processes, keep it informed on the specific issues they deal with and initiate certain processes.

The Financial Committee (FC) and Remuneration Committee (RC) were set up as required by law and the Articles of Association. The Corporate Governance and Sustainability Committee (CGSC) was created on the initiative of the GSB.

The GSB, through its Chairman, permanently oversees the work of its committees, which have to report to the GSB regularly on their activities.

The Corporate Governance Report presents a description of the composition and duties delegated by the GSB to each of its specialised committees. Detailed information on the committees, as well as their internal regulations (in both Portuguese and English) is also available on the EDP website at www.edp.pt. To avoid redundancy, the report describes only the general remit of each committee in the section below.

2.4.1. FINANCIAL COMMITTEE

The FC, previously known as the Audit Committee, is a specialised committee responsible for supervising the company's financial information and overseeing, on a permanent basis, the work of the external auditor, the internal auditor and the internal control systems. The matters delegated to this committee are detailed in Article 23(2) of the Articles of Association.

2.4.2. REMUNERATION COMMITTEE

The RC is a specialised committee with responsibility for fixing the remuneration policy for the Chairman and other members of the EBD, pursuant to Article 27 of the Articles of Association. It is separate from the Remuneration Committee elected by the GSM, which fixes the remuneration policy for the other corporate bodies.

2.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The CGSC is a specialised committee with responsibility for the following areas:

- Corporate governance.
- The sustainable development of the EDP Group.
- Management control.
- Internal codes of ethics and conduct.
- Systems for evaluating and resolving conflicts of interest in relations between EDP and its shareholders.
- Defining appropriate criteria and competences to serve as standards for EDP structures and internal bodies and their impact on the composition thereof.
- The drafting of succession plans.



3. ACTIVITIES OF THE GENERAL AND SUPERVISORY BOARD

The GSB's activity was based on an annual plan of activities and budget, documents approved at the meeting of 5 March 2009, although it was also affected by the unpredictable events occurring in several countries that required careful monitoring.

The activity of a body with duties such as those assigned to the GSB in a group such as EDP should have the flexibility to work beyond the routine tasks of holding quarterly meetings and issuing prior opinions. In fact, it acts as a genuinely useful body for permanently monitoring the various facets of the Company's activity, which ultimately moulds the type of work performed by the CGSB and the means placed at his disposal.

From the outset, with the appointment of a full-time Chairman in a dedicated role with a technical support office, the intention was to create a GSB at EDP that was genuinely active rather than a mere formality. For this reason, planning the GSB's activity is of particular importance given the nature and significance of its duties in the context of a group of companies like EDP which, although its business focuses on energy, shows considerable geographic dispersion and functional specialisation (generation, distribution and supply of electricity; distribution and supply of natural gas; and renewable energies, especially wind power).

Since the GSB's activity is restricted to the availability and participation of its members in plenary and specialised committee meetings, care and selectivity is essential in choosing and preparing the matters that deserve its special attention.

This selection process plays a vital role and requires members to share a common understanding on how they will exercise the GSB's duties in terms of supervising, monitoring and advising the Company's management. Naturally, this understanding has become fine-tuned with experience.

In addition to the activity directly related to plenary and specialised committee meetings, a whole host of other ongoing activities and procedures fall under the remit of the CGSB. In this regard, of particular importance is his duty to represent the GSB, both to the EBD and third parties, the latter in coordination with the CEED.

The GSB's plan of activities for 2009 sought not only to organise and structure its work, including that of its specialised committees, but also to set the priorities and objectives it was seeking to achieve. The following priority targets were set:

- Improving recurring procedures, in particular those related to issuing prior opinions, by reducing the time taken to provide documents, information, analysis and responses.
- Improving the supervision and monitoring of EDP's activity, with special focus on the relationship with subsidiaries, the positioning of EDP in relation to the competition and the development of strategic partnerships.
- Deepening the GSB's knowledge of EDP's corporate structure and the key issues affecting the Group's activity.
- Improving the effectiveness and efficiency of the GSB's activities.

The GSB budget for 2009 was prepared with the usual rigour and transparency required of all corporate bodies, especially one with auditing duties. Although it represented only 0.17% of the EDP Group's operating costs, the following explanatory notes are in order:

- Budgeted expenses came to EUR 3 million, with around 71% of this for remuneration of GSB members and GSBO personnel costs.
- The remaining 29% went to cover the functioning of the GSB and its Office and included a provisional allowance of EUR 400,000 for consultancy support requirements, should these arise.
- Careful management of the resources allocated in the budget, with no need arising to contract consultants, allowed the costs incurred to be contained at around EUR 2.5 million.

Apart from presenting a general description of its activities, in its annual reports the GSB has sought to highlight some of the issues that warranted its particular attention and which cumulatively represent specific matters of material relevance, justifying the autonomous nature of this report.

A recurring theme is "conflicts of interest", an issue that is becoming increasingly important in corporate governance. There is a need for methodologies that go beyond formal compliance with rules to delve deeper into the nature of the operations in question. Therefore, it is no surprise that this issue has been at the forefront of GSB activity since its first year of operation.

The following issues were also of particular importance in 2009:

- Participation in the CMVM public consultation process on the “Corporate Governance Code and Regulations”.
- Organisation of a workshop under the theme “Innovation and Development in the EDP Group”.

With regard to the structure of the 2009 report, there is a new section which seeks to summarise the main aspects of the GSB’s activity in numbers for purposes of comparison with the previous year. This innovation is deliberately experimental in nature, to be further developed in future reports. It has been introduced in light of the view that supervising, monitoring and advising are activities that should also be subject to the strictest requirements, and that they have the capacity to generate added value for the company beyond its traditional role of issuing opinions and carrying out routine procedures.

The GSB report is thus divided into six chapters, which are developed below.

3.1. PERMANENT ACTIVITY

Under the Articles of Association, responsibility for the GSB’s permanent activity falls to its Chairman, who is assisted in his full-time duties by the GSBO.

Pursuant to the GSB IR, the Chairman is responsible for:

- Representing the GSB and acting as spokesman for its decisions.
- Coordinating the GSB’s activities and supervising the correct functioning of its committees, retaining the right to attend any meeting and request information on their activity.
- Ensuring that the members of the GSB receive all the information they require for the proper execution of their duties in a timely manner.
- Requesting the EBD to provide the information deemed relevant to the exercise of the powers of the GSB and its committees, making it available to GSB members in a timely manner.
- Taking the necessary measures to ensure that the GSB adequately monitors the activity of the Company and its EBD in particular.
- Controlling the implementation of the GSB budget and managing its material and human resources.
- Convening and chairing GSB meetings, as well as striving to ensure the correct implementation of its decisions.

One of the most important duties of the Chairman is to represent the GSB at an institutional level, by:

- Monitoring the EBD’s weekly meetings, for which they now receive the agenda and supporting documents in advance, plus the minutes, which has proved most fruitful.
- Maintaining permanent contact with the CEED, as well as the other EBD members, by holding a range of meetings to coordinate the work of the two bodies.
- Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- Actively participating in important internal and external events in EDP’s corporate life, such as those involving shareholders or public authorities.

Within the GSB, the Chairman coordinates its activities by:

- Attending meetings of committees of which he/she is not a member and participating in the discussion of matters that are later decided by the GSB.
- Processing information from the EBD and other sources and circulating it to GSB members.
- Managing the processes for waiving the need for prior opinion, as detailed in point 3.3.

As proscribed by the law and the Articles of Association, and in his role as intermediary between the GSB and the EBD, the CGSB enjoys a series of prerogatives and powers to obtain information on the EDP Group’s activity. Given the broad composition of the GSB, this function is critical, as an atomistic approach to the relationship between the GSB and the EBD would be impractical and upset the healthy relationship that should exist between the two bodies.

During 2009, the CGSB was keen to involve GSB members in its activities, as well as improve the selection filter for issues requiring specific clarification from the EBD. In addition to the information provided at meetings of the GSB and its committees, the following are worthy of note:

- The significant increase in the number of support memoranda presented by the CGSB as part of the preparations for the GSB’s plenary meetings. These sought to assist the understanding and promote the active participation of members in the discussion of the issues addressed at these meetings.



- 64 requests for information or additional clarification made by the CGSB to the CEBD and warranting a suitable reply.

Also as part of its permanent activity and in coordination with the EBD, the Chairman organised a programme of events to link the GSB's duties and powers with EDP's activity on the ground, including:

- Visit to the dam building works at Baixo Sabor and Picote.
- Trip to Houston to meet Horizon staff and visit the company.
- Participation in the award of EDP 25-year service medals, in Braga.
- Closure of the 1st cycle of the EDP University, at the Carregado power station.
- EDP Produção Ibérica gathering.
- Official opening of Lares thermoelectric power station.
- EDP Distribuição gathering.
- Participation in the "Financial Times WEC Energy Leaders" event in London, where the CEBD was one of the speakers.

3.2. PLENARY MEETINGS

In 2009, the GSB held 7 plenary meetings. The high participation of members deserves special mention, with only occasional absences recorded.

- **1st Meeting: Lisbon, 29 January** – The meeting was called to issue a favourable prior opinion on the EDP 2009 Budget, the GSB having monitored and examined certain strategic matters, with special focus on the regulatory issues liable to affect EDP's activities.
 - * Participation rate: 82.4%
 - * No. of items on the agenda: 14
 - * No. of items addressed: 10
- **2nd Meeting: Lisbon, 5 March** – Following the presentation and clarifications provided by the EBD and once the opinion of the FC had been heard, the GSB decided to issue a favourable opinion on EDP's 2008 Annual Report. The remaining items on the agenda included the analysis of several issues relating to the general evolution of the Company's activity and management.

- * Participation rate: 75%
- * No. of items on the agenda: 16
- * No. of items addressed: 16

- **3rd Meeting: Lisbon, 7 May** – The main aim of the meeting was to examine the EDP Group's accounts for the 1st quarter of 2009. The meeting was special, since it was the first to be held after the 2009 GSM, so was marked by the new term-of-office formalities, including the approval of the GSB IR and of the composition of the GSB committees.

- * Participation rate: 88.2%
- * No. of items on the agenda: 13
- * No. of items addressed: 13

- **4th Meeting: Lisbon, 28 May** - The meeting was called specifically to examine certain strategic investment projects, the urgent nature of which justified an extraordinary meeting. The GSB issued a favourable prior opinion on these, in accordance with the defined evaluation parameters.

- * Participation rate: 82.4%
- * No. of items on the agenda: 4
- * No. of items addressed: 4

- **5th Meeting: Lisbon, 30 July** – The main objective of the meeting was to examine the EDP Group's accounts for the 1st half of 2009. The remaining items on the agenda concerned issues relating to the general evolution of the EDP Group's activity and management.

- * Participation rate: 82.4%
- * No. of items on the agenda: 20
- * No. of items addressed: 19

- **6th Meeting: Lisbon, 29 October** – The GSB examined the EDP Group's accounts for the 3rd quarter of 2009, as well as issues relating to the general evolution of the EDP Group's activity and management.

- * Participation rate: 76.5%
- * No. of items on the agenda: 18
- * No. of items addressed: 16

- **7th Meeting: Lisbon, 17 December** – The EBD made a preliminary presentation of the EDP Budget for 2010. Among the other issues addressed were the EBD's annual presentation on the EDP Group's human resources, as well as a discussion of the electricity tariffs for 2010.

- * Participation rate: 82.4%
- * No. of items on the agenda: 14
- * No. of items addressed: 11

3.3. PRIOR OPINIONS

Article 17(2) of EDP's Articles of Association lists a series of matters requiring a favourable prior opinion from the GSB, which also has the power to set the parameters of the monetary or strategic value of operations that must be submitted to it for an opinion.

Taking into account the experience gained during the previous term of office, and in application of GSB Decisions nos. 19/2006 and 40/2007, the GSB decided to review the rules applying to the issue and waiver of prior opinions, highlighting that:

- a. In general, the parameters set for mandatory GSB prior opinions should be deemed fit for purpose, demonstrating a balance between guaranteeing management flexibility for the EBD and the effective exercise of the GSB's duties pursuant to the Articles of Association.
- b. The mechanism for waiving a prior opinion has been used in occasional, justified situations and contributed considerably to the flexibility of the EBD's activity.
- c. Changes to the mechanism for issuing prior opinions, as set forth in GSB Decision no. 40/2007, resulted from the need to incorporate subsequent supervening facts, including:

- The changes to EDP's Articles of Association on 10 April 2008, in particular Article 21.
- The revision of the GSB IR.

In 2009, the GSB was asked to issue prior opinions 20 times and all requests were approved:

- EDP 2009 Budget.
- Tender competition for wind capacity in Galicia (Spain).
- Vento III tax equity operation (USA).
- 2009 Plan of Activities and Budget for the EDP Foundation.
- Proposed endowment for the EDP Foundation.
- Acquisition of Gas Natural assets (Spain).
- Construction of Lost Lakes wind farm (USA).
- Capacity increase at Salamonde hydroelectric power stations.

- Investment project in natural gas assets in Portugal.
- Construction of Tramandaí wind farm (Brazil).
- EDP/Wenzhou Power partnership.
- EDP/Hidroeléctrica de Cahora Bassa partnership.
- EDP/ES Resources Limited/Global Wood Holding partnership.
- EDP/Inovcapital/DST/Visabeira/BPA/BES/BCP partnership.
- EDP/Sonangol/BPA/Finicapital partnership.
- HC/CIDE partnership.
- Credit securitisation operation.
- Vento V tax equity operation (USA).
- Financing agreements for ENEOP 2 projects.
- Vento VI tax equity operation (USA).

In 2009, the EBD asked for a prior opinion to be waived on 9 occasions and, after checking their procedures, the CGSB did not oppose any of them:

- Construction of Blue Canyon V wind farm (USA).
- Construction of Meadow Lake wind farm (USA).
- Revolving Credit Facility operation.
- Construction of Top Crop I wind farm (USA).
- Capacity increase at Venda Nova III hydroelectric power station.
- Construction of Pecém thermoelectric power station (Brazil).
- Construction of Meadow Lake II wind farm (USA).
- Construction of Ribeiradio hydroelectric power station.
- Tender competition for offshore wind capacity in the United Kingdom.

3.4. ACTIVITY OF SPECIALISED COMMITTEES

The committees only properly fulfil their duties if their meetings produce work of use to the plenary, in terms of information or for the purposes of decision-making. Below is a summary of the committees' activities



during 2009, based on their reports and self-assessments.

3.4.1. FINANCIAL COMMITTEE

As of 31 December 2008, the FC was composed of 4 members:

- Vítor Fernando da Conceição Gonçalves (Chairman)
- António Francisco Barroso de Sousa Gomes
- Manuel Fernando de Macedo Alves Monteiro
- Vítor Domingos Seabra Franco

With the start of the new term of office for EDP's corporate bodies at the meeting of 7 May, the GSB proceeded to form the FC by appointing the following members:

- Vítor Fernando da Conceição Gonçalves (Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro

During 2009, the FC held 15 meetings. The main aim of these meetings was to obtain relevant information and analyse the various issues required to exercise its duties as delegated to it by the GSB, with particular emphasis on the following:

- The EDP Group's individual and consolidated quarterly financial statements, and the issue of reports and opinions on them.
- Monthly scorecards, containing operational and financial information on the main companies in the EDP Group in the various countries in which it operates.
- Risks (business, operational, financial and reporting, among others).
- The dispute litigation process, and the main legal disputes in progress.
- Activities of the internal auditors.
- Activities and independence of the external and statutory auditors.
- Rules governing audit and non-audit services for the EDP Group.
- Profitability and value of EDP's Pension Fund assets.
- Regulations and reports made using the whistle-blowing system.
- Relations with the Audit Committees in the other countries in which EDP operates.

The FC returned a very positive self-assessment of its activity, concluding that it fulfilled its remit and the duties it was assigned in an efficient manner, in particular:

- Examination of the EDP Group's Financial Statements for 2008 and the first three quarters of 2009, with the issue of reports and opinions on them.
- The relations it maintained with the Audit Committees in the other countries in which EDP operates.
- Supervision of relations with the internal, statutory and external auditors.
- Monitoring of risks (business, operational, financial and reporting).

3.4.2. REMUNERATION COMMITTEE

As of 31 December 2008, the RC was composed of 3 members:

- Alberto João Coraceiro de Castro (Chairman)
- Eduardo de Almeida Catroga
- Vasco Maria Guimarães José de Mello

With the start of the new term of office for EDP's corporate bodies at the meeting of 7 May, the GSB proceeded to form the RC by maintaining the existing composition of the committee at 31 December 2008. The RC held 4 meetings during 2009 and its activity can be divided into two distinct phases.

The main concern during the first phase was to set the variable remuneration component for EBD members, based on previously approved guidelines. Upon completion of this body's three-year term of office, their main task was to assess EBD performance during this period, to be able to calculate their multi-annual variable remuneration. In addition to its fixed component, the approved remuneration structure includes two variable components: (i) one to reflect performance in the year and (ii) the other resulting from the performance assessment covering the full term of office.

The RC reported that the performance indicators surpassed the targets set by the EBD and validated by the GSB, coming very close to the maximum that would guarantee receipt of the full performance bonus agreed.

To complement this examination, the RC performed a critical analysis of the remuneration policy defined and of its own method of functioning. With regard to the latter, the RC was deemed to have functioned

adequately, although the new CMVM guidelines would require certain changes. The critical analysis they performed underscored the need to develop the process of benchmarking against other 'Top 5' companies on the PSI 20 and against other European utility companies, especially in Iberia, as well as the need to ensure alignment with the best practices proposed by international organisations such as the European Commission. In more concrete terms, it was decided to continue and deepen the discussion on the suitability of the indicators used to define the variable remuneration components, taking into account not only the nature of the Company, but also new problems identified through experiences with different models of governance and the events of the current crisis.

The second phase began with the start of their new term of office, the activity of the RC now focusing on redefining the remuneration policy for EBD members. In this regard, no reasons were identified to alter the principle that overall remuneration should include both fixed and variable components, the latter subdivided into two parts, one to reflect annual performance and the other to reflect multi-annual performance. With regard to the fixed remuneration, the RC felt that there were neither conditions nor reasons to change it. This was communicated to the Chairman of the GSB, who agreed with this guideline, and to the Chairman of the GSM Remuneration Committee, in order to ensure the rough alignment of policies between the two committees. This proposal was then put to the GSB.

The RC also addressed a number of other issues, including:

- The new draft CMVM recommendations for corporate governance: following an analysis of the issues affecting the RC's activity, and the perception that these could affect the proper functioning of the remuneration committees, the decision was taken to present a number of duly justified proposals and suggestions.
- Based on the information that had been used to conduct the benchmarking exercise, discussion commenced on the main aspects of the new variable remuneration policy, with the calendar of meetings indicating that the process would be completed by the end of the year.

At these meetings, a detailed examination was made of each of the main aspects of the remuneration policy and of how the indicators selected would, or would not, enable the announced proposal's implementation. While the indicators for annual performance were solid, in the case of the multi-annual analysis it was felt that the quality of certain indicators was questionable

in terms of their ability to reflect baseline performance and thus realise the policy's objectives.

As such, the RC decided to continue to use certain of these indicators in a supplementary manner, as factors to support their decision, but to concentrate the multi-annual assessment on a performance indicator that would reflect the sustainability of the value creation process. The relative slowness of the scrutiny process for each of the indicators, the need to verify the existence of databases to enable performance of the benchmarking exercise and certain difficulties in arranging mutually convenient meeting times meant that it was not possible to submit the final version of the new EBD remuneration policy to the GSB in 2009. This is now planned for early 2010.

However, in light of the approval by the CMVM of a version of the recommendations that does not agree with the position taken by the RC members, the latter have decided with the Chairman of the GSB that these recommendations should be adopted as of 2010 in the ultimate interest of the company. Following this decision, the RC will analyse the possibility of approaching the market to contract advisory services, or of functioning autonomously with the support of the GSBO, to access databases and conduct occasional studies. This subject will be taken up once more in early 2010, with a view to keeping EDP's remuneration policy aligned with best international practices while ensuring, at the same time, the accurate calculation of indicators that allow concrete comparisons.

The Chairman of this committee plans to submit a declaration on EBD remuneration policy for the current three-year term of office to the 2010 Annual General Shareholders' Meeting, pursuant to Law no. 28/2009 of 19 June.

3.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

As at 31 December 2008, the CGSC was composed of 7 members:

- António de Almeida (Chairman)
- Alberto João Coraceiro de Castro
- Diogo Campos Barradas de Lacerda Machado
- José Maria Espírito Santo Silva Ricciardi
- Manuel Fernando de Macedo Alves Monteiro
- Vital Martins Moreira
- Vítor Domingos Seabra Franco



With the start of the new term of office for EDP's corporate bodies at the meeting of 7 May, the GSB proceeded to form the CGSC by appointing the following members:

- António de Almeida (Chairman)
- Alberto João Coraceiro de Castro
- António Sarmiento Gomes Mota
- Diogo Campos Barradas de Lacerda Machado
- José Manuel dos Santos Fernandes
- José Maria Brandão de Brito
- José Maria Espírito Santo Silva Ricciardi
- Khalifa Abdulla Khamis Al Romaihi
- Ricardo José Minotti da Cruz Filipe

The elevated number of members is justified by the nature of the issues being addressed by the committee, the aim being to prepare decision-making by the GSB. During 2009, the CGSC held only 4 meetings. While it is not the number of meetings that guarantees the quality of the work disclosed to the GSB, admission was made that it would have been more convenient to hold a meeting every two months. The reduced number of committee meetings was due to:

- Difficulties in reconciling members' diaries.
- Addressing certain issues at GSB meetings, thus precluding the need for examination by the CGSC (e.g. human resource management and succession plans; conflicts of interest).

Even so, almost all the activities planned for 2009 were completed at the meetings that were held, in particular:

- Analysing the 2008 annual accounts.
- Organising the internal debate on the draft CMVM "Corporate Governance Code and Regulations", which resulted in the adoption of a common position by the GSB and the EBD.
- Advising on EBD decisions regarding investments of particular importance, namely:
 - * Participation in the offshore tender competition in United Kingdom.
 - * Construction of the Ribeiradio hydroelectric power station.
 - * Acquisition of a wind energy developer in Italy.
- Developing methodologies to monitor the quarterly accounts, the EDP Group's debt position and relevant corporate conflicts of interest.

With regard to the method for assessing the committee and the GSB itself, during the previous term of office a proposal was put forward for this process to be based on a questionnaire to be completed individually by its members in order to provide qualitative evidence for the conclusions reached on its activity.

As such, the CGSC took the initiative to implement this method in a structured manner, while remaining aware of the natural limitations of self-assessments. The method was also applied to the activity and performance of the GSB and the EBD, with the necessary adaptations. There are plans to improve and standardise this process across the other GSB committees during 2010.

Based on the responses obtained from the questionnaire, the CGSC reported:

a. Positive aspects:

- Organisation of meetings.
- Quality of information provided by the EBD and the GSBO.
- Positive contribution of the CGSC to EBD activity.

b. Aspects to be improved:

- Reconciling members' diaries to hold meetings.
- Developing the committee's powers in relation to (i) subsidiaries; (ii) strategic partnerships; (iii) monitoring significant investment projects.

Overall and despite the difficulties in getting together during 2009, the CGSC put in a positive performance. We would add that the proper steps were taken to identify aspects requiring improvement to ensure greater effectiveness and efficiency of the CGSC in the exercise of the duties delegated to it by the GSB, in accordance with the express desires of its members.

3.5. SPECIFIC AREAS OF GSB ACTIVITY

3.5.1. CONFLICTS OF INTEREST

a. Framework for handling conflicts of interest at EDP

Pursuant to Article 22(1)(i) of EDP's Articles of Association, the GSB shall "Monitor and examine matters relating to corporate governance, sustainability, internal codes of conduct and ethics and compliance with these codes, systems for appraising and resolving conflicts of interest, including those

associated with the company's relations with its shareholders, and issuing opinions on these matters".

The GSB played a pioneering role in creating an internal mechanism for preventing, identifying and addressing potential corporate conflicts of interest, an issue given autonomous treatment in the 2010 Corporate Governance Code. This plays testament to EDP's commitment to best corporate governance practices, independently of their enshrinement in formal instruments such as the CMVM recommendations.

Under the Company's Articles of Association, responsibility for this issue was delegated to the CGSC from the very start of their previous term of office, as an integral part of their duties. In recognition of the importance of this duty, the GSB was careful to disclose the main aspects of their work in its annual reports, as well as present its opinion on the situations analysed.

In fact, after the issue was studied in greater depth, the GSB and the EBD were able to reach a broad consensus on the advantages of adopting a series of objective and transparent rules to identify, prevent and resolve relevant corporate conflicts of interest. These took into account the EBD's responsibilities for management on the one hand, and the GSB's responsibilities for monitoring and examining these matters on the other.

At their meeting of 16 October 2008, the GSB approved the "Framework for handling conflicts of interest" proposed by the CGSC and voluntarily adopted by the EBD. This document can be found on EDP's website at www.edp.pt. Set out below are the key aspects of this mechanism:

- The EBD should report relevant conflicts of interest to the CGSC. These are understood to mean situations that are liable to damage EDP's business interests and which arise in legal transactions between EDP (including its subsidiaries) and, directly or through intermediary parties, any member of the EBD, members of other corporate bodies, or shareholders of EDP and its subsidiaries.
 - Within 30 days of the end of each quarter, the EBD should report any significant legal transaction (above the minimum amount set by the GSB - EUR 5 million in 2009) between EDP (including its subsidiaries) and:
 - * Shareholders with a minimum qualifying holding of 2% in EDP or its subsidiaries and companies controlled by or in a group relationship with these shareholders.
 - * Third parties with whom EDP or its subsidiaries have common commercial interests, in particular co-operation or business partnership agreements, including companies controlled by or in a group relationship with these third parties.
 - The information disclosed should include:
 - * Summary description of the transactions and the obligations assumed by the parties.
 - * Description of the procedures followed in selecting the counterparty.
 - * Measures taken to prevent or resolve potential conflicts of interest.
 - Should the committee's investigations reveal a conflict of interest requiring resolution, the EBD should take the steps deemed appropriate by the committee to resolve or manage it in a manner compatible with EDP's business interests.
 - If the conflict of interest is deemed serious by the committee, the latter must immediately inform the GSB of the situation, for consideration in plenary.
- After around one year of the present term of office, the GSB felt the need to review the application of these rules, with a view to ensuring continuous improvement in their effectiveness and efficiency, while avoiding bureaucratic formalities that add no value in terms of transparency and objectivity.
- At its meeting of 29 October 2009, the GSB revised the aforementioned decision as follows:
- The information supplied by the EBD on the transactions in question should specify:
 - * If the transaction was based on a tender competition/consultation or direct award.
 - * In cases of direct award, the grounds for this decision and the mechanisms adopted to mitigate the risk of potential conflicts of interest.
 - * In cases of tender competition/consultation, the type of contact established with the potential interested parties and the identity of these parties.
 - * In case of competitive tenders, the details of the different tenders and the criteria for selection.
 - * The parameters used to check whether the transaction is performed under "normal market conditions for similar operations".



- The GSB shall request supporting documentation for the transaction whenever it deems necessary and justified.

According to rules applicable to EDP in terms of relevant transactions between related parties, and given the information provided by the EBD, the GSB concluded that in the course of 2009 there were no detected any of the following:

- Transactions between related parties that have affected significantly EDP's financial situation or performance.
- Transactions between EDP and related parties that must be communicated in the management report, due to its material relevance or because they were concluded outside normal market conditions.
- Evidence that all the potential conflicts of interest derived from operations identified by the EBD, have been resolved in ways contrary to the company's interests.

b. Prevention of conflicts of interest at GSB meetings

Due to its nature and composition, the GSB has resolved and prevented potential conflicts of interest arising naturally from its activity when called upon to issue opinions on matters involving qualifying EDP shareholders who have representatives on this body.

In all situations of potential conflicts of interest, it was the actual members involved who took the initiative to highlight the situation and abstain from the discussion and vote. In one case, the member involved took the initiative to leave the meeting during the discussion of the matter which may have a conflict of interest.

c. Prevention of conflicts of interest in transactions between the Company and members of the GSB and the EBD

EDP has no tradition of performing transactions requiring prior authorisation with members of its corporate bodies or with companies to which they are connected. It is therefore no surprise that no requests were made to the GSB in 2009 for authorisation to carry out transactions between the Company and members of the GSB or the EBD.

3.5.2. CMVM PUBLIC CONSULTATION PROCESS ON THE "CORPORATE GOVERNANCE CODE AND REGULATIONS"

On 14 July 2009, the CMVM launched the public consultation process on the "Draft Regulations for the Corporate Governance Code", as well as a draft revision of the Corporate Governance Code recommendations. The deadline for the submission of comments and suggestions to the CMVM was initially set for 4 September. At the request of several companies, including EDP, this deadline was later extended to 30 September.

The Chairman of the CMVM framed the drafts in terms of the economic and financial situation since mid-2008, with special focus on the situation in Portugal. Of the various changes proposed, three areas saw substantial alterations:

- Remuneration of management and audit bodies:
 - * Criteria for defining remuneration policy and evaluating the performance of company directors.
 - * New parameters governing disclosure of remuneration, including mandatory disclosure of individual remuneration packages.
 - * Not hiring consultants to assist the remuneration committee if they are providing services, or have done so in the last 3 years, to any dependent body under the Company's management.
- External audit:
 - * Rotation of external auditor every 7 years.
 - * Duty of the auditor to verify the application of the remuneration policy and systems and the internal control mechanisms, reporting any discrepancies encountered to the audit bodies.
 - * Not hiring the auditor to provide services other than auditing.
- Effectiveness of audit and internal risk control systems, clarifying the role and duties of the audit body under the dual governance model.

Given EDP's commitment to promoting excellence in its governance practices, the GSB and the EBD decided to participate jointly in the aforementioned public consultation process, without this resulting in an exercise in compromise to identify a lowest common denominator. On the contrary, given the nature of the matter at hand, they took a critical and open approach,

valuing the full range of opinions and points of view expressed by their members.

Following a period of collecting individual comments and suggestions from the members of the GSB and the EBD, a meeting was held on 21 September to examine these, attended by the Chairman and members of the GSB, as well as the Chairman of the EBD.

Following this process, the EDP submitted to the CMVM a wide range of comments and proposals (and even several alternatives for the same discussion point), while remaining faithful to the following key ideas:

- Portuguese law is considered “sufficiently well-provided” by the CMVM. As such, recommendations that conflict with legal standards or impose unwarranted restrictions on their flexibility should be avoided.
- The need for proper international harmonisation that does not prevent the adoption of specific solutions where duly justified means that recommendations without the minimum of correspondence with widely adopted international practices should be avoided, as should recommendations deemed onerous or of doubtful efficiency for Portuguese companies.
- Notwithstanding application of the “comply or explain” principle, rigid and uniform models should not be imposed and the recommendations should be worded in a manner that is open and flexible to achieving their desired outcomes.
- The aim is to promote efficiency in listed companies and the securities market, which should preclude the formulation of bureaucratic recommendations of doubtful usefulness to improve efficiency or, even worse, that reduce efficiency.
- Preference should be shown for recommendations that promote transparency in corporate governance practices before shareholders and the market.

Finally, the GSB can report that, with a few small exceptions, CMVM Regulation no. 1/2010 and the new Corporate Governance Code maintained the initial proposals made by the CMVM. During 2010, the GSB and the EBD will examine the adoption of these new recommendations, with a view to improving their governance practices.

3.5.3. “INNOVATION AND DEVELOPMENT IN THE EDP GROUP” WORKSHOP

Given the range of powers held by the GSB for its monitoring and advisory duties, it was felt important to run initiatives to promote the participation of GSB members in discussion fora on issues and challenges faced by EDP in its business activity.

During the previous term of office, a number of initiatives of this type were undertaken. The 2009 plan of activities reflected the desire to create more such initiatives, in particular workshops and visits to EDP facilities.

In this regard, at the GSB meeting of 30 July 2009, the Chairman presented a range of possible themes to be developed in a workshop, including:

- Risk management.
- The EU 20-20-20 Directive.
- The energy sector after the termination of regulated electricity and natural gas tariffs.
- EDP’s strategic partnerships.
- New markets for EDP.

In the end, the GSB chose the theme “Innovation and Development in the EDP Group”. This is an issue of considerable importance in the current world situation, as research is required to develop innovative and economically viable solutions for the generation, transmission, distribution and supply of energy.

The aforementioned workshop has held on 17 December and attended by a number of staff from EDP Inovação, who made various presentations on the theme, with special focus on electricity generation and distribution.

This session allowed members of the GSB who were able to attend to broaden their vision on:

- The main drivers of innovation and development in the energy sector.
- The main lines of research in progress around the world and in Europe in particular.
- The organisation and main innovation and development projects in progress in the EDP Group.



3.6. GSB ACTIVITY IN FIGURES

3.6.1. GSB MEETINGS 2009¹ - PARTICIPATION

	29/01	05/03	07/05	28/05	30/07	29/10	17/12	%
António de Almeida	P	P	P	P	P	P	P	100
Alberto João Coraceiro de Castro	P	P	P	P	P	P	P	100
António Sarmento Gomes da Mota ²	-	-	P	P	P	P	P	100
António Francisco Barroso de Sousa Gomes ³	A	A	-	-	-	-	-	0
Carlos Jorge Ramalho dos Santos Ferreira	A	P	A	A	A	A	A	14.3
Diogo Campos Barradas de Lacerda Machado	P	P	P	P	P	P	P	100
Eduardo de Almeida Catroga	P	P	P	P	P	P	P	100
Fernando Manuel Barbosa Faria de Oliveira	A	A	P	R	A	R	R	57.1
José Manuel dos Santos Fernandes ²	-	-	P	P	P	P	P	100
José Maria Brandão de Brito	P	P	P	P	P	P	P	100
José Maria Espírito Santo Silva Ricciardi	P	P	P	P	A	P	A	71.4
Khalifa Abdulla Khamis Al Romaihi	P	P	P	P	P	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	P	A	P	R	P	85.7
Mohamed Meziane ⁴	P	A	A	A	P	A	A	28.6
Ricardo José Minotti da Cruz Filipe ²	-	-	P	P	P	P	P	100
Rui Eduardo Ferreira Rodrigues Pena	P	P	P	P	P	A	P	85.7
Vasco Maria Guimarães José de Mello	P	P	P	P	P	A	P	85.7
Vital Martins Moreira ⁵	P	A	-	-	-	-	-	50
Vitor Domingos Seabra Franco ⁶	P	-	-	-	-	-	-	100
Vitor Fernando da Conceição Gonçalves	P	P	P	P	P	P	P	100
P&R vs. Total	14/17	12/16	15/17	14/17	14/17	13/17	14/17	
%	82.4	75	88.2	82.4	82.4	76.5	82.4	81.3

P – Present; A – Absent; R – Represented

¹ The current term of office started on 15 April 2009, so the first two meetings of 2009 were held with the membership of the 2006-2009 term of office. The changes resulting from the termination of duties at the end of the previous term of office and the election of new members are duly indicated. The remaining members were re-elected on 15 April.

² New member elected on 15 April 2009.

³ Term of office ended on 15 April 2009.

⁴ Resigned on 3 February 2010.

⁵ Resigned on 6 March 2009.

⁶ Resigned on 4 March 2009.

3.6.2. COMPARATIVE INDICATORS

	2009	2008	Change
Meetings planned (no.)	6	7	-1
Meetings held (no.)	7	10	-3
Members' attendance (%)	81	75	+6 p.p.
CEBD attendance (%)	100	100	0
Items on the agenda (no.)	99	95	+4
Items addressed (no.)	89	96	-7
Items placed on the agenda at the initiative of the CGSB (no.)	58	39	+19
Items placed on the agenda at the request of the EBD (no.)	41	54	-13
Prior opinions (no.)	20	24	-4
Prior opinion waivers (no.)	9	5	+4
Training initiatives/workshops (no.)	1	1	0
Requests for information by the CGSB to the EBD (no.)	64	89	-25
Support documents prepared by the GSB (no.)	62	39	+23

p.p. – percentage points

4. ASSESSMENT OF THE ACTIVITY AND PERFORMANCE OF THE GSB AND ITS COMMITTEES

The basic direction taken in 2009 was to strengthen the role of the specialised committees in monitoring issues of a recurring nature, the primary objective of their work being to facilitate the preparation of plenary decisions.

Although the GSB plan of activities for 2009 was more realistic and attuned to its members' work commitments, a number of planned activities were not completed, for a variety of reasons.

Non-recurring activities and those of a non decision-making nature were the least addressed, in particular those that had aimed to provide GSB members with the opportunity to deepen their knowledge of the structure and activities of the EDP Group.

With regard to recurring activities and those of a decision-making nature, the GSB's work focused on the following in the exercise of its duties:

- The 2008 Annual Report and the EDP Budget for 2009.
- Issuing or waiving favourable prior opinions on a significant range of operations, as described in 3.3.
- Examining the quarterly accounts, as well as monitoring the implementation of the budget.
- Selecting the external auditor and nominating a statutory auditor, who was then approved by the EDP's General Shareholders' Meeting.

The most important monitoring and advisory processes were:

- **EDP 2010 Budget** – As with the 2009 Budget, this process sought to allow the fullest possible participation by the GSB members, to which end the drafts were submitted around a month in advance of the meeting at which the GSB's prior opinion was issued (21 January 2010).
- **EDP's financing/Monitoring of debt position** – Throughout their term of office, the GSB paid special attention to the evolution of EDP's debt position and the securing of the financing required for its ambitious investment plan. It was in this context that the GSB lent its support to the EBD initiative to secure in 2009 the financing needed for 2010.

- **International expansion in renewable energies** – During 2009, the GSB monitored the implementation of EDP's international expansion strategy, with the start of construction on a wind farm in Brazil and the award of rights to develop around 1.3 GW in an area granted by the Crown Estate off the Scottish coast, a project due to start in 2015 in partnership with SeaEnergy Renewables.

The various processes in which the GSB had the opportunity to participate or monitor include, apart from those mentioned above, the following:

- The securitisation of the tariff deficit in Portugal and Spain.
- The performance of EDP on the Dow Jones Sustainability World and STOXX Indexes.
- The acquisition from Gas Natural of high-pressure natural gas distribution assets in the Basque Country, Asturias and Cantabria, as well as distribution and supply networks in Murcia and Cantabria.
- The start of construction on new hydroelectric power stations and capacity increases in Portugal.
- The management of the EDP Group's human resources and the preparation of succession plans.
- The approval of a new governance model for the EDP Foundation, as well as the appointment of 2 new members of the Board of Trustees.

Based on the methodology developed by the CGSC, the GSB decided to conduct a self-assessment exercise at its meeting of 21 January 2010, based on a questionnaire for individual completion by the GSB members and covering the following topics:

- Overall activity indicators (execution of the plan of activities, productivity, etc).
- Composition, organisation and functioning of the GSB.
- Extent of use of powers attributed by law and the Articles of Association.
- Relationship with EDP's corporate bodies.
- Activity of the GSB Office.
- GSB communication and image.
- Individual assessment of members.



The process implemented by the GSB has a dimension that deserves to be highlighted, as it represents a reinforcement of EDP's governance practices. This will give EDP national and international prominence, being one of the assessment parameters that will improve the company's position on the Dow Jones Sustainability Index.

According to those rules, which were approved in line with corporate governance best practices, the GSB would like to register the following conclusions, based on the 2009 activity and performance self-assessment process:

- a.** The GSB general activity was deemed excellent, with a very positive assessment of the activity plan implementation and meetings productivity.
- b.** In relation to the GSB composition, organisation and operation assessment:
- Were deemed excellent:
 - * The effectiveness of mechanisms to verify incompatibilities and independence.
 - * The composition of and the competencies delegated to specialised committees.
 - * How meetings are scheduled in advance and the means used to distribute supporting documents.
 - * The adequacy of the GSB IR.
 - Were deemed as quite positive:
 - * The work developed by committees.
 - * How support documents are distributed and contents for meetings are prepared in advance.
 - * Mechanisms for issuing and waiving prior opinions, as well as for treating conflicts of interest.
- c.** In terms of the GSB's activity:
- Were deemed as excellent the follow up on the EBD's activity and the treatment of conflict of interest.
 - Were deemed as very positive:
 - * The supervising and advising duties.

- * The relevance and the role of the GSB in treating EDP Business Plan and EDP Budget; in dealing with the debt level, the analysis of financial and accounting information, corporate governance practices and independence of both the Statutory and the External Auditors.

- Despite the positive assessment, a further reflection should be made in 2010 on the GSB's participation on strategic issues, on human resources management and succession plans, as well as on following up on EDP subsidiaries.

- d.** The relations between the GSB and other statutory bodies was deemed excellent, with an unanimous opinion regarding the relation with the EBD.

- e.** Regarding the GSB's Office, despite the quality of information provided to members, the adequacy of its composition shall be reviewed.

- f.** In terms of the GSB's image and communication:

- The excellent relationship build with shareholders was highlighted.
- The way the GSB showed its performance to stakeholders was deemed very positive.
- Despite being considered as positive, there should be a reflection on the GSB communication effectiveness towards EDP staff and towards external entities.

The committees' activity was evaluated this year on the basis of self-assessment and the results were reported under point 3.4. In 2010, in addition to self-assessment, the specific parameters used in the overall assessment of the GSB will include the activity of its committees.

5. CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2010

The macro-economic situation in 2010, although improving in relation to the past two years, reveals various uncertainties and difficulties which must be overcome by policy-makers, economic operators and other players in civil society. These include:

- Greater volatility in the capital markets.
- The expected rise in interest rates, which dropped to historic lows in 2009.
- Uncertainties in the evolution of fossil fuel prices, in particular oil, coal and natural gas.
- Underuse of the combined cycle power stations, resulting from the drop in electricity demand, the increased contribution of wind power and the consequences of energy efficiency measures.
- Unemployment rates with their inherent budgetary and social costs.
- Pressure from trade unions in energy sector companies to secure significant pay rises.
- The consequences of measures to encourage competition in terms of reduced margins.
- Doubts as to the chances of achieving an international agreement on limiting CO₂ emissions after the inconclusive result of the Copenhagen Summit.
- The weakness of certain Eurozone countries as evidenced by large budget deficits and high levels of indebtedness, factors that will have to be corrected.
- Some uncertainty with regard to the evolution of regulatory regimes.

In this context, the challenges faced by EDP in 2010 in its major markets, Portugal and Spain, are also significant in terms of:

- Implementing their ambitious investment programme, which should reach around EUR 3 billion.
- Careful management of indebtedness, despite the financial means required until the end of the current term of office are not in cause.
- Seeking opportunities for growth in the period beyond 2011 that match EDP's strategic profile and financing capacity.

- Adjusting the Business Plan in light of the current economic and financial climate.

EDP is economically and financially solid, as well as possessing the management capacity to overcome difficulties that may arise as a matter of course. At any rate, in the economic climate in which EDP is operating, described above, the GSB's advisory and monitoring role takes on even greater importance in providing support for the management body and in building bridges with the Company's shareholders, the authorities most directly involved in the energy sector. The exercise of these duties requires the GSB to:

- Have at its disposal effective means to monitor the functioning of the Group's corporate structures and most important activities.
- Possess reasonable and up-to-date knowledge of the Group and its markets and efficient mechanisms for addressing the main issues.

With these objectives in mind, a range of activities have been planned for 2010, grouped according to their nature into:

- **Recurring activities**, if they seek to improve the manner and effectiveness of GSB intervention in affairs of a decision or a non decision-making nature.
 - * In those of a **decision-making nature**, the focus will be on developing the role of the GSBO and committees in preparing items to be addressed in plenary.
 - * In those of a **non decision-making nature**, the focus will be on means of disclosure to GSB members which may not necessarily involve inclusion on the plenary agenda.
- **Non-recurring activities**, if they seek to improve the GSB members' knowledge of the Group, its markets and activities.

With regard to the challenges ahead, the GSB expresses its full confidence in the ability of EDP's shareholders to continue providing the Company's corporate bodies, and members of the GSB in particular, with all the support and cooperation they need to succeed in the exercise of their powers under the law and the Articles of Association.



6. ACKNOWLEDGEMENTS

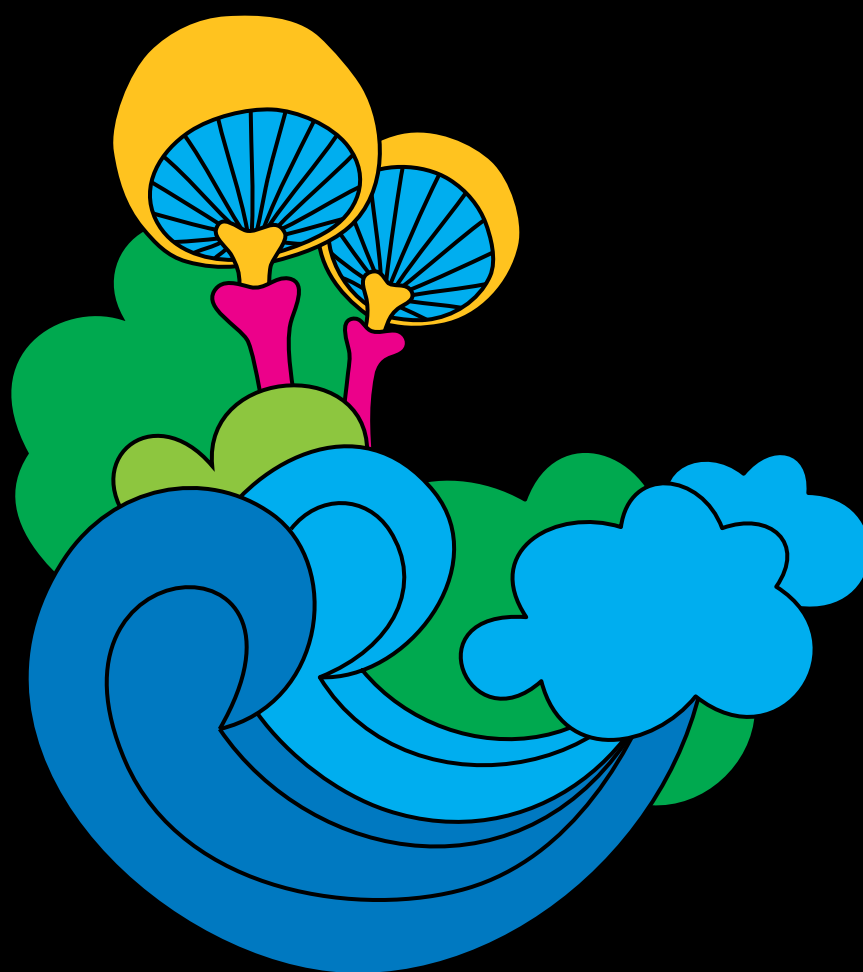
The GSB would like to express its thanks to:

- The shareholders, for the trust that they have placed in this supervisory body and for the constant support they have given to its functioning.
- The government, for the efficient, unconditional, and transparent manner in which it has resolved issues related to the energy sector and, in particular, the emphasis that it has always placed on analysing and resolving issues relating to EDP.
- The Chairman of the EBD for his dedication and cooperation with the GSB, without which the functioning of this corporate body would have been significantly hindered.
- The members of the EBD, for their excellent work, the results they have achieved and their professional participation in meetings of the GSB and its committees.
- The members of other EDP statutory bodies and statutory bodies of EDP's subsidiaries.
- All the employees of the EDP Group, for their contributions to its growth and image.
- The staff of the GSBO, which managed to support the GSB, its Committees and Chairman in a very satisfactory manner in spite of its small number.

A special thank you also goes out to the ex-members of the GSB who concluded their duties in 2009, for their effort, dedication and contribution to the good performance of the GSB during its first term of office:

- António Francisco Barroso de Sousa Gomes
- Vital Martins Moreira
- Vítor Domingos Seabra Franco

On 3 February 2010, Mohamed Meziane, who had been a member of the GSB since 6 November 2007, resigned as representative of Sonatrach for reasons of a personal nature. The GSB would like to express its sincerest appreciation for the manner in which he successfully helped to develop the fruitful cooperation between EDP and Sonatrach.





OPINION OF THE GENERAL AND SUPERVISORY BOARD ON EDP'S 2009 ANNUAL REPORT

In 2009:

1. The GSB either directly or via its specialized committees monitored EDP's activity on a regular basis through:
 - Ordinary and extraordinary meetings.
 - Contacts with members of the Executive Board of Directors (EBD), in particular with its Chairman, and with management boards and other statutory bodies of some of the Group's main subsidiaries.
 - Meetings with the Statutory Auditor and with the External Auditor.
 - Prior consideration of the agenda and supporting documentation for EBD's weekly meetings.
2. The activity developed by the GSB focused on the more relevant aspects of EDP Group's activities, particularly on those referred in article 17, no. 2 and article 21, no. 7 of EDP's by-laws, namely:
 - EDP 2009 Budget.
 - Transactions over 75 million euro, including the public offering of EDP Energias do Brasil's own shares.
 - Significant financing and refinancing operations.
 - Strategic partnership initiatives, whether they were established, ceasing or changing any relation.
 - Any operation causing a major transformation in the Group's corporate structure.
3. The General and Supervisory Board was informed regularly and in a timely basis of all relevant

matters, both internal and external, related to EDP's strategic and operational guidelines.

4. The GSB, directly or through its specialized committees has been involved in all materially important decisions of the EDP Group.
5. The Finance Committee has developed its regular activities, particularly those foreseen in article 23, no. 2 of EDP by-laws, reporting on a quarterly basis to the GSB plenary favorable opinions on individual and consolidated financial accounts.
6. The Chairman of GSB was kept constantly updated on developments regarding significant transactions and projects either under implementation or in the pipeline.
7. **At its meeting of 4 March 2010, the GSB:**
 - a. Heard a detailed presentation by the EBD on EDP's 2009 Annual Report and Accounts, particularly to the following key financial and economic indicators:
 - b. Appraised EDP's 2009 individual and consolidated Financial Statements prepared in conformity with "International Financial Reporting Standards" (IFRS).
 - c. Was informed that:
 - i) The External Auditor e the Statutory Auditor did not report any situations that were likely to bias the fairness and accuracy of the financial information reported, and that their opinion was free of any qualification.
 - ii) The Finance Committee had analyzed the Financial Statements, the audit reports and opinions of the External and Statutory auditors and to their knowledge:
 - The Financial Statements complied with the applicable accounting standards,

(EUR million)

Indicators	Relevant Subsidiaries								
	Group	EDP P	EDP D	EDP C	EDP Gás	EDP Br	HC Grupo	EDP R	
Gross profit	5.105	1.109	1.222	46	52	817	958	642	
EBITDA	3.363	904	569	21	31	550	648	543	
EBIT	1.970	590	321	10	19	419	397	231	
Net income*	1.024	375	212	7	9	241	223	114	
Net assets	40.262	7.958	5.426	204	555	4.910	7.656	11.294	
Total equity**	9.979	2.054	551	20	243	2.441	2.964	5.328	
Total liabilities	30.283	5.904	4.875	184	312	2.469	4.692	5.966	
Gross debt	16.281	3.942	634	---	---	1.250	2.577	2.615	
Net debt	14.007	3.872	633	---	---	809	2.558	2.134	

* Attributable to equity holders of EDP.
* Includes minority shareholders.

reflected all the adjustments and included all the materially relevant suggestions made by the External Auditor on his conclusions report.

- The External Auditor and the Statutory Auditor complied with articles 62-A and 62-B of law DL no. 224/2008, and to their knowledge they are not aware of any facts that could compromise the independence of their opinions on both individual and consolidated EDP's Financial Statements.

d. Analyzed EDP's Annual Report and Accounts, having concluded that these:

- i)** Adequately reflect the Group's organization and governance model, its activities and its consistency with the approved strategy and budget.
- ii)** Address the issue of corporate governance in a dedicated chapter within the Institutional and Sustainability chapter of the Annual Report, under the terms of Regulation no. 1/2007 of CMVM (Portuguese Equity Market Regulator).
- iii)** Comply with applicable legal and regulatory requirements, namely those related to financial information and corporate governance.

e. Took note of the Finance Committee favorable opinion on the 2009 Annual Report and Accounts, and appraised the legal and regulatory certifications prepared by KPMG&Associados SROC S.A. on both individual and consolidated Financial Statements, with which it concurs.

f. Declared, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2009 and foreseen in article 245, no.1 section a) of the Securities Code (annual report and accounts, legal certification of the accounts and all other financial documents) was prepared in conformity with applicable accounting rules, giving a true and appropriate image of assets and liabilities, financial situation and financial results of EDP and of companies in control or group relationship with EDP, and that the 2009 annual report presents fairly the business evolution, the position and the performance of EDP and of companies in control or group relationship with EDP, and describes the main risks and uncertainties faced.

g. Issued a favorable opinion on EDP's Annual and Financial Report, both individually and consolidated as of 31 December 2009.

h. Decided to recommend to the EDP Annual Shareholders' Meeting the approval of the 2009 individual and consolidated annual accounts, as well as the Executive Board of Directors' proposal for resources allocation.

i. Congratulated the Executive Board of Directors and management boards of Group's subsidiaries for the excellent results achieved despite the economic and financial difficulties faced during the course of 2009.



António de Almeida

The Chairman of the General and Supervisory Board

Lisbon, 4 March 2010



STATEMENT OF GENERAL AND SUPERVISORY BOARD ON EDP'S 2009 ANNUAL REPORT



Conselho Geral e de Supervisão

DECLARATION

Pursuant article 245º, n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, **members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP)**, the information referred in article 245º, n.º 1, paragraph a) of CVM (management report, financial statements, accounts legal certification and remaining accounts reporting documents), in 2009, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP and subsidiaries included in the consolidation perimeter**, and that the annual management report faithfully states the trend of the business, the performance and position of **EDP and subsidiaries included in the consolidation perimeter**, and contains a description of the principal risks and uncertainties faced.

Lisbon, 4th March 2010

António de Almeida – Chairman

António Sarmiento Gomes Mota

Diogo Campos Barradas de Lacerda Machado

Farid Boukhalfa

José Maria Brandão de Brito

José Manuel dos Santos Fernandes

Manuel Fernando de Macedo Alves Monteiro

Rui Eduardo Ferreira Rodrigues Pena

Vítor Fernando da Conceição Gonçalves

Alberto João Coracelro de Castro – Vice-Chairman

Carlos Jorge Ramalho dos Santos Pereira

Eduardo de Almeida Catroga

Fernando Manuel Barbosa-Faria de Oliveira

José Maria Espírito Santo Silva Ricciardi

Khalifa Abdulla Khamis Al Romaiithi

Ricardo José Minotti da Cruz Filipe

Vasco Maria Guimarães José de Mello

OPINION OF THE FINANCE COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

1. In the exercise of the duties conferred upon it by the Articles of Association and internal regulations, the Financial Committee (FC):
 - a. Appraised the Management Report and individual EDP and consolidated EDP Group IFRS Accounts for the financial year ending on 31 December 2009, based on the knowledge it gained of the company's business, financial situation, risks inherent in its activities and of the analysis, performed together with the company's management and External and Statutory Auditors, of the information and support documentation provided.
 - b. The Committee met with:
 - The External Auditor (KPMG) and the Statutory Auditor, to gain knowledge of and appraise the conclusions of their work on the EDP Group's IFRS consolidated financial statements for 31 December 2009;
 - Board Member Nuno Alves and the heads of the Management Planning and Control Department (DCG) and Consolidation, Accounting Control and Taxation Department (DCF), where accounting, financial and management information was presented and discussed in detail, in particular the consolidation perimeter, accounting policies and procedures, important or extraordinary transactions, the IFRS consolidated financial statements, results and other factors deemed of interest to the Financial Committee, for the period ending on 31 December 2009;
 - The head of the Internal Audit Department (DAI), where the results of the work performed on the internal audit and control system and the status of plans to implement recommendations were presented and discussed.
 - c. With reference to 31 December 2009, the Committee received:
 - From the Hidroelétrica del Cantábrico Control and Audit Committee, a favourable opinion on the closure procedures employed and the financial statements produced by the HC Energía Group;
 - From the EDP Renováveis Audit Committee, a favourable prior opinion on the company's individual and consolidated accounts;
 - From the EDP - Energias do Brasil Audit Committee, a favourable opinion on the approval of the Board's accounts and the financial statements of both the company and its subsidiaries.
2. Based on the monitoring performed of the main aspects of the EDP Group's activity, and on the analysis of the documents provided and the subsequent discussion of these with the EDP Group's management at various levels, in particular the Group's Executive Board of Directors; the Director of Management Planning and Control; the Director of Consolidation, Accounting Control and Taxation; the Internal Audit Department; the Statutory Auditor; and the External Auditor, the FC considers that it obtained all the clarifications it required concerning the issues it raised on the content of the Management Report and the individual EDP and consolidated EDP Group IFRS Financial Statements for the financial year ending on 31 December 2009.
3. In light of the above and not being aware of any materially relevant circumstances compromising the compliance of the procedures adopted with current accounting policies and good practices, or any situations affecting the appraisal of the quality or independence of the work done by the statutory or external auditors, the FC hereby issues a favourable opinion on the Management Report and individual EDP and consolidated EDP Group IFRS Financial Statements for 31 December 2009, and on the profits from operations at that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and legal and statutory provisions in force.

Lisbon, 4 March 2010.

The Financial Committee



(Vítor Fernando da Conceição Gonçalves - Chairman)



(António Gomes Mota)



(Manuel Fernando de Macedo Alves Monteiro)



STATEMENT ON THE ASSESSMENT OF THE ACTIVITY AND PERFORMANCE OF THE EXECUTIVE BOARD OF DIRECTORS

Based on the methodology developed by the CGSC, on 21 January 2010, the GSB decided to conduct an assessment exercise on the activity and performance of the EBD, based on a questionnaire for individual completion by the GSB members.

The process implemented by the GSB has a dimension that deserves to be highlighted, as it represents a reinforcement of EDP's governance practices. This will give EDP national and international prominence, being one of the assessment parameters that will improve the company's position on the "Dow Jones Sustainability Index".

According to those rules, which were approved in line with corporate governance best practices, the GSB would like to register the following conclusions, based on the EBD activity and performance during 2009:

- a. The EBD general activity was deemed excellent, namely the level of execution of the EDP Business Plan and the 2009 Budget.
- b. The composition, organisation and operation of the EBD was deemed excellent assessment.
- c. Concerning the quality of the EBD activity:
 - Were deemed excellent:
 - * Strategy.
 - * Financing.
 - * Cost control.
 - Were deemed as quite positive:
 - * Investment.
 - * Risk management.
 - * Human Resources Management.
- d. Attending to the critical aspects of the EBD activity:
 - Were deemed excellent:
 - * Preparation of financial and accounting information.
 - * Management control.
 - * Sustainability and environment.
 - * Organizational culture.
 - * Communication and image.
 - * Conflicts of interest.
- e. Concerning the quality of the interaction between the GSB and the EBD:
 - Were deemed as quite positive the fulfillment of the rules on the independence of the statutory auditor and external auditor.
 - Were deemed excellent:
 - * The good collaborative relationship.
 - * EBD's openness to initiatives promoted by the GSB.
 - * Adequacy of information provided by the EBD to requests made by the GSB and in presentations made at the GSB meetings.
 - * Adequacy of technical and material means made available to the GSB.
 - * Level of fulfillment of dispositions defined by the GSB in terms of previous opinion issuance (or release from); treatment of conflict of interests; Human Resources management.
 - Were deemed as quite positive:
 - * Speed in providing information to the GSB on EDP's activities.
 - * Treatment of conflict of interests.
 - Despite deemed positive, it should be improved the time given for analyzing the documents, after these have been distributed.
- f. In terms of projecting EDP's image and relationship with other relevant economic agents:
 - Were deemed excellent:
 - * The relationship with shareholders, stakeholders, EDP workers, public authorities and investors.
 - * EBD and EDP reputation in the relevant markets.
 - * Effectiveness of EBD's communication strategy
 - Was deemed positive the relationship held with competitors.

António de Almeida

The Chairman of the General and Supervisory Board

Lisbon, 4 March 2010

acronyms and abbreviations

ACRONYMS AND ABBREVIATIONS

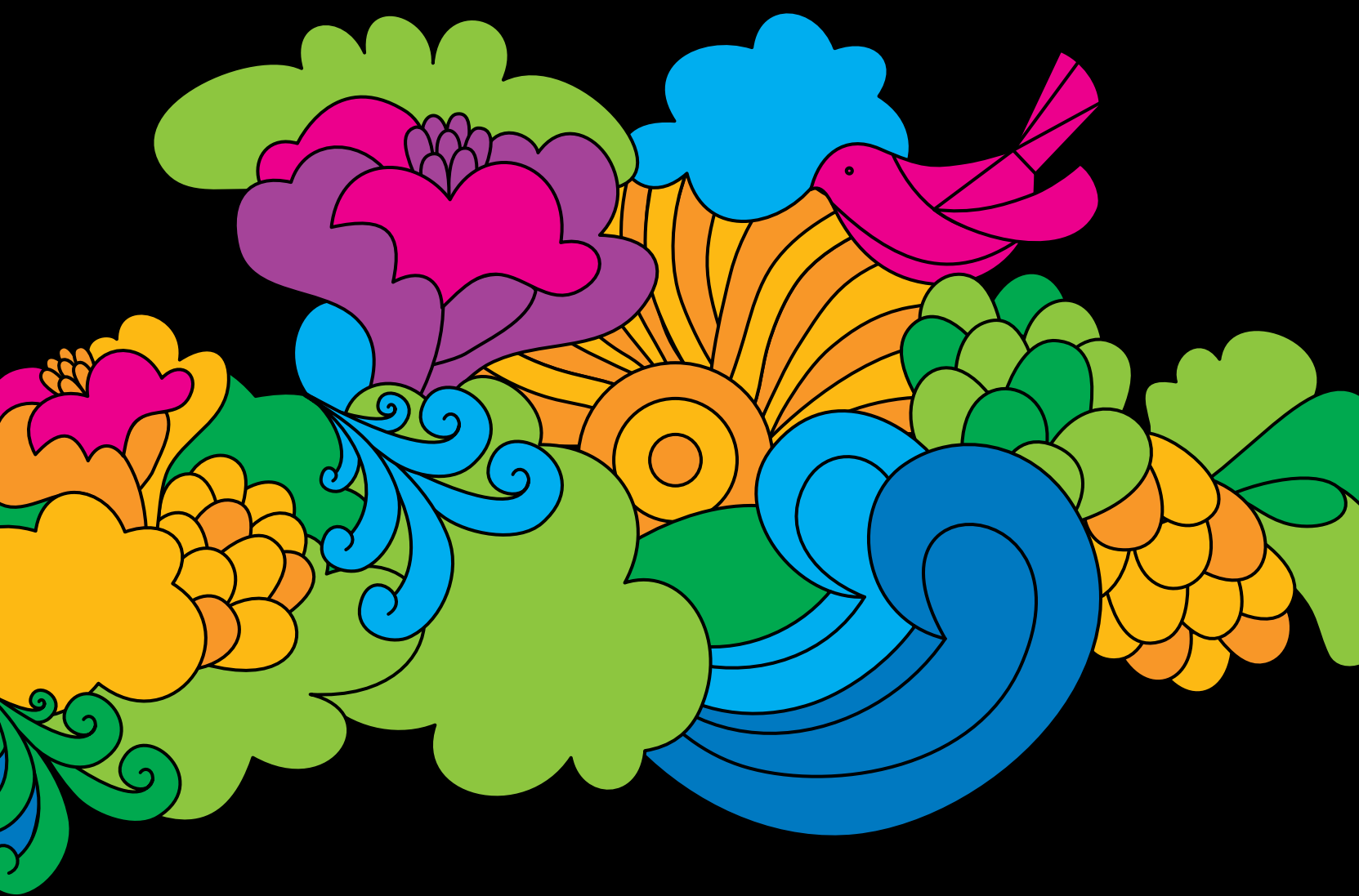
The following acronyms and abbreviations are used throughout this report for ease of expression, although the names and expressions they substitute may also be used occasionally:

BCP – Banco Comercial Português, S.A.	EDP P – EDP – Gestão da Produção, S.A.
BES – Banco Espírito Santo, S.A.	EDP R – EDP Renováveis, S.A.
Cajastur – Caja de Ahorros de Asturias	EDP SU – EDP Serviço Universal, S.A.
CC – Company Code	FC – Financial Committee/Audit Committee
CEBD – Chairman of the Executive Board of Directors	GSM – General Shareholders’ Meeting
CGD – Caixa Geral de Depósitos, S.A.	GSB – General and Supervisory Board
CGSB – Chairman of the GSB	GSBO – GSB Office
CGSC – Corporate Governance and Sustainability Committee	HC – Hidroelétrica del Cantábrico, S.A.
CMVM – Portuguese Securities Market Commission	Horizon – Horizon Wind Energy, LP
EBD – Executive Board of Directors	IPIC – International Petroleum Investment Company
EDP (or the Company) – EDP – Energias de Portugal, SA	IR – Internal Regulations
EDP Brasil – EDP Energias do Brasil, S.A.	Naturgas – Naturgas Energia, S.A.
EDP C – EDP Comercial – Comercialização de Energia, S.A.	RC – Remuneration Committee (of the GSB)
EDP D – EDP Distribuição – Energia, S.A.	SC – Securities Code
	Sonatrach – Société Nationale pour la Recherche, la Production, le Transport, La Transformation et la Commercialisation des Hydrocarbures
	Subsidiaries – Companies owned by or in the same group as EDP under Article 21 of the SC

N.B. References to corporate bodies with no other mention should be regarded as referring to EDP's corporate bodies.



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need



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