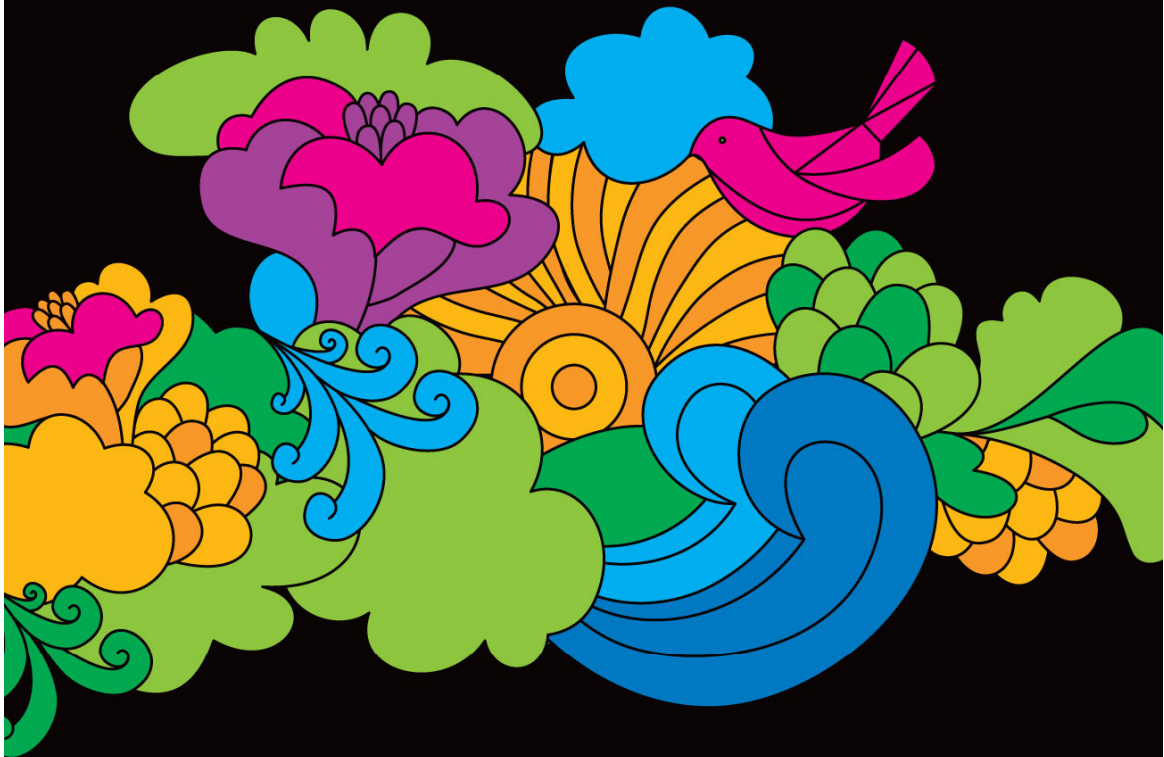




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## 1. STATEMENT OF COMPLIANCE

EDP – Energias de Portugal, S.A. (“EDP”) is a company that issues shares listed on the NYSE Euronext Lisbon market (denominated Euro1ist by Euronext Lisbon). Accordingly, the corporate governance recommendations contained in the “Corporate Governance Code” approved by the CMVM in September 2007 apply to the company. The full text of the code is available on the CMVM website at “[www.cmvm.pt](http://www.cmvm.pt)”.

Ever since the company was listed in the former Lisbon Stock Exchange, the organisation and functioning of the EDP corporate governance model have been guided towards achieving the highest standards of corporate governance and business conduct and ethics referenced on the best national and international practices in corporate governance.

In this context, EDP declares that it adopts in full the CMVM recommendations on corporate governance for listed companies in the aforementioned “Corporate Governance Code”, approved in September 2007 and in force during the year 2009, with the exception of Recommendation 1.6.2 of said code, which is not adopted for the reasons given below.

The following table lists the CMVM recommendations in the Corporate Governance Code and indicates whether they were fully adopted or not by EDP, as well as the section of this report that contains more detailed information on the adoption of each specific recommendation.

<b>STATEMENT OF COMPLIANCE</b>			
<b>Recommendation</b>	<b>Adoption status</b>	<b>Observations</b>	<b>Description in the Report</b>
<b>I. GENERAL MEETING OF SHAREHOLDERS</b>			
<b>I.1 Board of the General Meeting</b>			
I.1.1 The Chairman of the Board of the General Meeting shall have the necessary human and logistical resources at his/her disposal, taking the company's economic situation into account.	Adopted		2.3.1
I.1.2 The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the annual corporate governance report.	Adopted		5.2.
<b>I.2 PARTICIPATION IN THE GENERAL MEETING</b>			
I.2.1 The period for depositing or blocking shares prior to participating in a General Meeting imposed by the Articles of Association shall not exceed five working days.	Adopted	Article 14 of the Articles of Association	4.7.
I.2.2. If a General Meeting is suspended, the company shall not oblige shareholders to block shares for the whole period until the session is resumed. The ordinary period required for the first session shall suffice.	Adopted		4.7.
<b>I.3 VOTING RIGHTS AND VOTING</b>			
I.3.1 Companies shall not impose any restrictions on postal votes.	Adopted	Article 14 of the Articles of Association	4.9.
I.3.2 The time limit set for receipt of postal votes prior to meetings shall not exceed three working days.	Adopted	Article 14 of the Articles of Association	4.9.
I.3.3 Companies' Articles of Association shall indicate that one share is entitled to one vote.	Adopted	Article 14 of the Articles of Association	4.8.
<b>I.4 QUORUM AND DECISIONS</b>			
I.4.1 Companies shall not establish a constitutive or deliberative quorum greater than that laid down by law.	Adopted		4.10.
<b>I.5 MINUTES AND INFORMATION ON DECISIONS</b>			

I.5.1 The minutes of General Meetings shall be made available to shareholders on the company's website within five days, even if they are not inside information, as required by law, and a history of attendance lists, agendas and decisions made shall be maintained on the site covering the meetings of at least the three previous years.	Adopted	This recommendation has been adopted in general terms but is not considered applicable with respect to the maintenance of historic records of attendance lists at the General Meeting, given the personal nature of the information involved.	4.11.
<b>I.6 COMPANY CONTROL MEASURES</b>			
I.6.1 Measures adopted to prevent successful takeover bids shall respect the interests of the company and its shareholders.	Adopted	No measures designed to prevent successful takeover bids have been adopted. As far as other measures concerning company control, in particular the restriction of the number of votes exercisable by each shareholder holding category A shares, in accordance with article 14.3 of the Articles of Association, it is considered that these measures, even if not adopted with an aim to prevent successful takeover bids, considering their origins, the characteristic of the shareholder structure of the company and the general interests they aim to protect, respect the interests of the company and its shareholders.	4.12.
I.6.2. Companies' Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of this provision shall be put to the vote by the General Meeting – without the need for a quorum greater than the legal quorum – and that all the votes cast shall count in this decision without the limitation.	Not adopted	The alteration of any provision in the company's Articles of Association requires the approval of the General Meeting of Shareholders. No provision has been established in the Articles of Association exclusively devoted to the assessment of the maintenance or alteration of the rule limiting the voting rights that can be exercised by each shareholder holding category A shares. Considering the representativeness of the shareholders at the General Meeting at which the Article of Association in force was approved (participation or representation of 60,7% of the capital and an approval rate of 95% of the votes cast), the characteristic of the shareholder structure of the company and even if the matter under consideration is decided upon exclusively by the shareholders, one is of the opinion that the interests of the latter are adequately respected.	4.12.
I.6.3 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors, thereby affecting the free transferability of shares and the free appreciation by shareholders of the performance of the members of the Board of Directors.	Adopted		4.12.
<b>II. MANAGEMENT AND SUPERVISORY BODIES</b>			
<b>II.1 General Matters</b>			
<b>II.1.1 Structure and Duties</b>			

II.1.1.1 The Board of Directors shall, in its governance report, assess the model adopted, identify any constraints on its functioning and recommend appropriate measures to overcome them	Adopted		2.1.
II.1.1.2 Companies shall set up in-house control systems for the effective detection of risks associated with their activity in order to safeguard their assets and ensure the transparency of their corporate governance.	Adopted		3.6.
II.1.1.3 Management and supervisory bodies shall have their own regulations which shall be posted on the company's website.	Adopted		2.3.2. and 2.3.3.
<b>II.1.2 INCOMPATIBILITIES AND INDEPENDENCE</b>			
II.1.2.1 The Board of Directors shall include a number of non-executive members guaranteeing an effective capacity to oversee, supervise and evaluate the work of the executive members.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.1.2.2 The non-executive directors shall include a suitable number of independent directors, taking into account the company's size and shareholder structure. The number shall be no less than one quarter of the total number of directors.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<b>II.1.3 ELIGIBILITY AND APPOINTMENT</b>			
II.1.3.1 Depending on the applicable model, the Chairman of the Supervisory Board, Committee on Financial Matters/Audit Committee or Financial Committee shall be independent and have the appropriate competences to perform his/her duties.	Adopted		2.3.8.
<b>II.1.4 WHISTLE-BLOWING POLICY</b>			
II.1.4.1 The company shall adopt a whistle-blowing policy for reporting alleged irregularities with the following indications: i) the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) the treatment to be given to reports, including confidentiality if the whistleblower so requires.	Adopted		2.3.8.
II.1.4.2 The general lines of this policy shall be described in the corporate governance report.	Adopted		2.3.8.
<b>II.1.5 REMUNERATION</b>			
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure that it aligns their interests with those of the company.	Adopted		5.3.

In this context: i) the remuneration of executive directors should include a performance-based component and therefore take into consideration the performance assessments regularly carried out by the competent body or committee; ii) the variable component shall be consistent with the maximisation of the long-term performance of the company and depend on the sustainability of the performance variables adopted; iii) when this is not stipulated directly by law, the remuneration of non-executive board members shall be made up exclusively of a fixed amount.			
II.1.5.2 The Remuneration Committee and the Board of Directors shall submit to the Annual General Meeting a statement on the remuneration policy for the managing and supervisory bodies and other managers as set forth in Article 248-B.3 of the Securities Code. In this context, the criteria and main parameters for assessing performance in order to determine the variable component, be it in the form of shares, share options, annual bonuses or other components, shall be explained to the shareholders.	Adopted	.	5.1 to 5.5
II.1.5.3 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.	Adopted		2.3.5. 2.3.8.
II.1.5.4 A proposal on the approval of share distribution and/or share option plan or plans based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in Article 248-B.3 of the Securities Code, shall be submitted to the general meeting. These proposals should contain all the information necessary for a proper appraisal of the plans and should be accompanied by their regulations, or if these have yet to be drafted, by the general conditions that shall govern them. Likewise, the main features of the pension system for members of the managing and supervisory boards and other company officers, as set forth in Article 248-B.3 of the Securities Code, should be approved by the general meeting.	Not applicable		
II.1.5.5 The remuneration of the individual members of the managing and supervisory bodies shall be disclosed annually, indicating, where applicable, the different components received as fixed and variable remuneration and remuneration received from other group companies or companies controlled by shareholders with qualifying holdings.	Adopted		5.3. 5.4.
<b>II.2. BOARD OF DIRECTORS</b>			
II.2.1 Within the limits of the law for each managing and supervisory board and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be indicated in the annual corporate governance	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	

report.			
II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that are considered strategic due to the amounts or risks involved or their special characteristics.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.2.3 If the chairman of the Board of Directors has executive duties, the board shall find efficient mechanisms for coordinating the work of the non-executive members so as to ensure that they can make independent, informed decisions and shall explain these mechanisms to the shareholders in the corporate governance report.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.2.4 The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints encountered.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.2.5. The Board of Directors must ensure rotation of the financial director at the end of at least every two terms of office.	Not applicable	<p>This recommendation does not apply, given the corporate governance model adopted by EDP.</p> <p>In addition to the argument resulting from the chapter insertion of this recommendation, it is EDP's understanding that adopting a dual governance model allows for protection of the same rights, given that:</p> <ul style="list-style-type: none"> <li>• the General and Supervisory Board, and not the Board of Directors, is responsible for hiring the external auditor and for the relations with it;</li> <li>• the Statutory Auditor is chosen by the General Meeting after a proposal by the General and Supervisory Board, which permanently monitors the former's activities;</li> <li>• assessing the independence of the Statutory Auditor and External Auditor in their relations with the company is the competence of the General and Supervisory Board (assisted in this task by the Committee on Financial Matters/Audit Committee, as per the regulations for the latter).</li> </ul>	
<b>II.3 CEO, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS</b>			
II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide all information in a timely fashion and appropriate form.	Adopted		2.3.3.
II.3.2 The chairman of the Executive Committee shall send the invitations to and minutes of its meetings to the chairman of the Board of Directors and, as applicable, the chairman of	Not applicable	This recommendation does not apply, given the corporate governance model	

the Supervisory Board or Committee on Financial Matters/Audit Committee.		adopted by EDP.	
II.3.3 The chairman of the Executive Board of Directors shall send the invitations to and minutes of its meetings to the chairman of the General and Supervisory Board and chairman of the Financial Committee.	Adopted		2.3.3.
<b>II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL COMMITTEE, COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE AND SUPERVISORY BOARD</b>			
II.4.1 In addition to its supervisory duties, the General and Supervisory Board shall advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinions include: i) defining the company's general strategy and policies; ii) the business structure of the group; and iii) decisions that are considered strategic due to the amounts or risk involved or their special characteristics.	Adopted		2.3.2
II.4.2 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board shall be published on the company's website along with the financial statements.	Adopted		2.3.2.
II.4.3 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board shall include a description of their supervisory activities and reference any constraints encountered.	Adopted		2.3.2.
II.4.4 The Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board, depending on the applicable model, shall represent the company in all dealings with the external auditors. They may also make suggestions as to the providers of these services and their remuneration, ensuring that the right conditions exist in the company for the services to be performed and acting as the company's interlocutor and first recipient of their reports.	Adopted		2.3.8.
II.4.5 The Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and should just cause be given move that the General Meeting dismiss them.	Adopted		2.3.8.
<b>II.5. SPECIALISED COMMITTEES</b>			
II.5.1 Unless the company is very small, the Board of Directors and the General and	Adopted		2.3.8.

Supervisory Board, depending on the model adopted, shall set up any committees necessary for: i) performing a competent and independent assessment of the executive directors' performance and evaluating their own overall performance and that of other committees; ii) reflecting on the adopted system of governance, checking its effectiveness and proposing, to the competent bodies, measures aimed at improving it.			
II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors.	Adopted		2.3.8.
II.5.3 All committees must keep minutes of their meetings.	Adopted		2.3.8.
<b>III. DISCLOSURE AND AUDITS</b>			
<b>III.1 GENERAL DISCLOSURE OBLIGATIONS</b>			
III.1.2 Companies shall ensure permanent contact with the market, respect the principle of equality of shareholders and prevent imbalance in access to information by investors. In order to achieve this, the company shall have an investor relations office.	Adopted		7.1. 7.2.
III.1.3 The following information on the company's website must be published in English: a) the company name, status as public limited company, registered office and all other information mentioned in Article 171 of the Companies Code; b) the Articles of Association; c) the names of the members of the corporate bodies and market liaison officer; d) the Investor Relations Office, its functions and contact information; e) the financial statements; f) half-yearly calendar of company events; g) motions submitted for discussion and voting at general meetings; h) notices to general meetings	Adopted		7.3.

## 1.1. STATUTORY FRAMEWORK IN RESPECT OF INDEPENDENCE AND INCOMPATIBILITIES

The Articles of Association of EDP, which are available for consultation on its Website ([www.edp.pt](http://www.edp.pt)), contain rules on independence and incompatibilities for office in any body of the Company.

The independence criteria provided for in Article 414 5) of the Companies Code are in line with those stipulated in the Articles of Association, determining that the independence corresponds to the absence of direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and hold or act on behalf of holders of qualifying of 2% or more of the share capital or have been re-elected for more than two terms, either continuous or interspersed.

The assessment of the independence of members of corporate bodies should be promoted by each corporate body for its members, complying with applicable laws and regulations at all times and must be expressly justified when it diverges from criteria resulting from non mandatory recommendations which EDP should take into account.

In matters of incompatibility and as a way of safeguarding the interests of the company and its shareholders, it was established by the Articles of Association that the holding of office in any of the EDP corporate bodies is not compatible with:

- The quality of natural or legal person associated with a legal person that is a competitor of EDP;
- Holding any office or performing any tasks of any kind or designation – namely through appointment to a corporate office, a work contract or a service contract – in a legal person competing with EDP or in a legal person associated with an EDP competing company;
- Appointment, even if only *de facto*, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

In this context, in accordance with the Articles of Association:

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.
- A person associated with an EDP competing legal person is: (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it; (ii) a person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.

- A person that indirectly carries out a business activity in competition with EDP is the one that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.

Incompatibility for office in any body of EDP is not applicable to EDP competing legal persons in which EDP holds 50% (fifty per cent) or more of the respective share capital or voting rights, nor to natural persons that hold office of any kind or designation or are nominated, even if only *de facto*, in such competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person were made on the basis of an indication by EDP or an EDP subsidiary.

Incompatibility as defined above also does not apply to the holding of offices such as member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes issued in the General Meeting at which the appointment is confirmed. The competition relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be made subject to conditions, namely the holding of a shareholding in EDP representing no more than 10% (ten per cent) of its share capital.

## 1.2. STATEMENTS REGARDING THE INDEPENDENCE AND INCOMPATIBILITIES

In line with the independence criteria provided for in Article 9 of the company's Articles of Association, the members of the Executive Board of Directors declared upon taking office that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and also do not hold a stake in EDP representing 2% (two per cent) or more of its share capital. They also declared that they have no incompatibility to hold the office in accordance with Article 10 of the Articles of Association, as they do not hold office in EDP competing companies nor do they represent any EDP competing company or legal person associated with EDP competitors.

The members of the Executive Board of Directors also undertakes to inform the Chairman (and the Chairman himself undertakes to inform the Executive Board of Directors) of the occurrence of any circumstance that could eventually cause a situation of incompatibility with the status of member of the Executive Board of Directors or of loss of the status of independent member.

Pursuant to its Internal Regulation, the General and Supervisory Board has set a specific procedure to assess the fulfillment of the large set of rules on incompatibility and independence requirements applicable to the exercise of office in the same body. The procedure includes the following features:

- The acceptance of the appointment as General and Supervisory Board member occurs with a written statement in which the member specifically declares: (i); (ii) the absence of any incompatibility situation under the law or EDP'S Articles of Association with the exercise of the office; (ii) the fulfillment of the independence requirements set out in the Internal

Regulation, if elected as a General and Supervisory Board independent member; and iii) the duty to inform the Chairman of the General and Supervisory Board or, in case of the Chairman, the Board itself directly, of the subsequent occurrence of any circumstance that may constitute a situation of incompatibility or loss of independence status.

- The members of the General and Supervisory Board must confirm annually in writing the absence of incompatibility and compliance with the requirements of independence, if applicable.
- Also annually, the General and Supervisory Board conducts a general assessment on the fulfillment of the incompatibilities and independence requirements by its members.

In accordance with this procedure the members of General and Supervisory Board declared, in accordance with the independence criteria provided for in Article 414 5) of the Companies Code and Article 9 of the Articles of Association, that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and do not hold a stake in EDP of 2% or more of its share capital nor represent any such shareholder.

At this respect is worth mention that at the General Meeting of 15 April 2009, the appointment of Sonatrach as a member of the General and Supervisory Board under Article 10.4 of the Articles of Association was authorised, given that, pursuant to Articles 10.1 a) and 10.7 of the Articles of Association, Sonatrach is a legal person that competes with EDP.

The Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders have also declared that they comply with the independence and incompatibility criteria for their respective offices laid out in Articles 414.5 and 414-A.1 of the Companies Code and Articles 9 and 10 of the company's Articles of Association.

Through the term of office in course, it was not verified any circumstance that lead to a situation of loss of independency or to the appearance of any incompatibility regarding the members of the Executive Board of Directors, the members of the General and Supervisory Board and the Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders.

The statements, above mentioned, are publicly available on the website of EDP in [www.edp.pt](http://www.edp.pt).

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board see section 2.1.1 of the Annual Report issued by that body.

## 2. CORPORATE GOVERNANCE STRUCTURE

### 2.1. CORPORATE GOVERNANCE MODEL

EDP has adopted, since 2006, a dual corporate governance model comprising an administration body responsible for the company management, the Executive Board of Directors, and a supervisory body, the General and Supervisory Board.

The EDP corporate governance model is aimed at ensuring separation of functions and specialisation of supervision with the due transparency and rigour. The EDP management and supervision structure is made up of three bodies:

- The Executive Board of Directors;
- The General and Supervisory Board; and
- The Statutory Auditor.

This model is also aimed at aligning the interests of EDP and its shareholders. Accordingly, the EDP General Meeting of Shareholders appoints and dismisses the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors).

Separation of the functions of management and supervision is ensured by the existence of a Executive Board of Directors, which is responsible for the management of the business, and by the General and Supervisory Board, which is the maximum corporate authority in matters of supervision.

The choice of this management and supervision model was made in the context of the amendments to the Companies Code introduced by Decree-Law no. 76-A/2006 of 29 March. The model came into force on the same date as the new EDP Articles of Association, i.e. 30 June 2006, according with the deliberation approved on the Annual General Shareholders Meeting of 30 March 2006. For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website ([www.edp.pt](http://www.edp.pt)), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

In accordance with the EDP Articles of Association, the General Meeting appoints and dismisses the members of the Executive Board of Directors and of the General and Supervisory Board, as well as the Statutory Auditor.

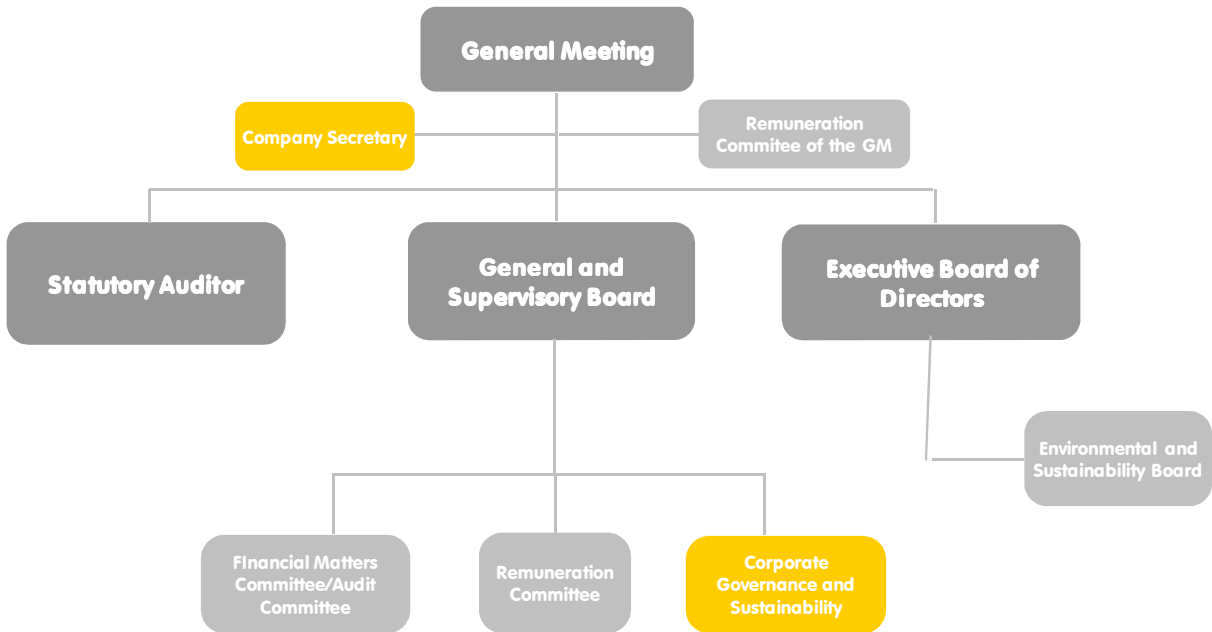
The General and Supervisory Board may propose to the General Meeting the dismissal of any member of the Executive Board of Directors and of the Statutory Auditor.

In relation to the assessment of the corporate governance model and in accordance with its powers in this matter, the General and Supervisory Board registered its conclusions in its Annual Report, which can be summarised as follows:

- The governance model adopted by the shareholders proves to be adequate to the organisation of the EDP business, especially as it ensures a fair balance between the necessary flexibility and amplitude of the management powers and the effectiveness of the general supervision of the company and specific supervision in truly sensitive areas;
- The institutional and functional relationship between the General and Supervisory Board and the Executive Board of Directors was very positive and of considerable effectiveness in the choice of the matters dealt with; it also proved to be very efficient in terms of how the matters were looked at and dealt with;
- The continuous monitoring of the Group's activities by the General and Supervisory Board, the constant close scrutiny of the decision making processes and, in some cases, the effective involvement in said processes, significantly strengthen the demand and functional accountability standards within the EDP universe and better safeguard the interests of all shareholders and other stakeholders;
- The commitment and the institutional articulation between the General and Supervisory Board and the Executive Board of Directors further promote higher quality levels in governance practices, allowing for optimisation of the virtues of the governance model, namely:
- At the level of the mechanisms for access to information by the General and Supervisory Board;
- In terms of consolidating the functions of the General and Supervisory Board in relation to the subsidiaries;
- At the level of the provision of the human and technical resources appropriate to the tasks of the General and Supervisory Board.

For more information on this topic please see section 1 of the Annual Report of the General and Supervisory Board.

## 2.2. ORGANIC CORPORATE STRUCTURE



- Corporate bodies<sup>1)</sup>
- Corporate entities
- Other statutory bodies

1) Corporate entities are also corporate bodies, pursuant to Article 8/4 of EDP's Articles of Association

## 2.3. CORPORATE BODIES

The current members of the corporate bodies were elected at the annual General Meeting held on the 15 April 2009, for a term of 3 years (triennial 2009/2011).

### 2.3.1. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the body that represents the shareholders. It has the following functions:

- Assessing the annual reports of the Executive Board of Directors, discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Committee on Financial Matters/Audit Committee and voting on proposals for the allocation of profits;
- Electing and dismissing the members of the board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairmen and vice-chairmen and, if applicable, the Statutory Auditor, under proposal of the General and Supervisory Board or, by delegation, of the Committee on Financial Matters/Audit Committee, and also the members of the Environment and Sustainability Board;
- Deciding on amendments to the Articles of Association, including capital increases;
- Appointing a Remuneration Committee responsible for establishing the remuneration of the members of the corporate bodies; the majority of the committee members should be independent;
- Assessing the annual company report produced by the General and Supervisory Board;
- Dealing with any other matters brought before it;
- Exercising any other powers that may be conferred to it by law.

### BOARD OF THE GENERAL MEETING

Pursuant to Article 12 of the EDP Articles of Association, the Board of the General Meeting is made up of a Chairman and a Vice-chairman re-elected by the General Meeting on 15 April 2009 and the company's General Secretary appointed by the Executive Board of Directors.

The current members of the board of the General Meeting are as follows:

BOARD OF THE GENERAL MEETING	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	António Bernardo de Menezes e Lorena de S.ôves
Company Secretary	Maria Teresa Isabel Pereira

In accordance with the Articles of Association, the Chairman of the Board of the General Meeting is a member of the General and Supervisory Board.

The Chairman of the Board of the General Meeting has the internal human and logistic resources that are appropriate for his/her needs, namely the support of the General Secretary and Legal Department,

the Investors Relations Office and the Brand and Communication Department, as well as external support from a specialised entity hired by EDP for the collection, processing and counting of votes. The logistic and administrative resources for holding the General Meeting are provided by the company, with the respective organisation being supervised by the Chairman of the Board of the General Meeting.

### 2.3.2. GENERAL AND SUPERVISORY BOARD

The EDP General and Supervisory Board is the body that oversees the company's management activity and guarantees permanent monitoring and supervision of the administration of the company, cooperating with the Executive Board of Directors and all other corporate bodies in the pursuit of the corporate interests in accordance with the Companies Code and the Articles of Association, being elected by the shareholders in the General Meeting.

The General and Supervisory Board is made up of 17 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by an internal regulation, available on the EDP website ([www.edp.pt](http://www.edp.pt)).

The professional qualifications of the members of the General and Supervisory Board can be consulted in the Corporate Bodies chapter herein.

The competencies of the General and Supervisory Board are to:

- Permanently monitor the management of the company and the subsidiaries, providing advice and assistance to the Executive Board of Directors, namely with respect to strategy, meeting targets and objectives and complying the applicable legislation;
- Issue an opinion on the annual report and accounts;
- Oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issue pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluates internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of the necessary or appropriate criteria and responsibilities for the internal structures and bodies of the company or group and their impact, in addition to drawing up succession plans
- Provide, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;

- Issue, on its own initiative or upon request by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the company management as referred to in Article 455 of the Companies Code;
- Monitor and assess matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Procure the resources, financial or otherwise, which it reasonably considers necessary for its work and request the Executive Board of Directors to adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if required;
- Receive regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualified shareholding and related persons;
- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee;
- Represent the company in its relations with the directors;
- Oversee the work of the Executive Board of Directors;
- Supervise observance of the law and the Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;
- Monitor, when and how it deems appropriate, the regularity of bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;
- Oversee the drawing up and disclosure of financial information;
- Convene the General Meeting when it deems appropriate;
- Approve its internal regulation, which includes rules on relations with the other corporate bodies
- Exercise any other powers that may be conferred upon it by law or by the General Meeting.
- In the scope of the corporate governance model in force at EDP, the General and Supervisory Board has one more power of particular importance. Although it does not have management powers, in accordance with Article 442. 1) of the Companies Code, the company's Articles of Association establish that the approval of the company's strategic plan and the following operations carried out by the company or by subsidiaries are subject to favourable prior opinion from the General and Supervisory Board:
  - Acquisitions and sales of assets, rights or shareholdings of significant economic value;
  - Contracting financing operations of significant value;

- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;
- Other transactions or operations of significant economic or strategic value;
- The commencement or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for divisions, mergers or transformations;
- Amendments to the Articles of Association, including changes of registered office and capital increases when these are of the initiative of the Executive Board of Directors.

The Chairman of the General and Supervisory Board has competencies of its own, and is responsible for:

- Convening and chairing meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;
- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfilment of their duties;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;
- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;
- Ensuring correct implementation of the General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board, or, in case of its absence or impediment, one of its members specifically appointed by the board, may attend the meetings of the Executive Board of Directors and participate in the discussion of matters to be submitted to the General and Supervisory Board, whenever they deem convenient and without the right to vote.

Members of the Committee on Financial Matters/Audit Committee have the obligation to attend Executive Board of Directors meetings assessing the accounts for a financial year.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman. In 2009, the General and Supervisory Board met 7 times.

The General and Supervisory Board draws up an annual report on its activity and functioning, including any constraints it may have encountered in the carrying out of its duties. The report is available on the EDP website ([www.edp.pt](http://www.edp.pt)) together with the management report and accounts.

Supported in the work developed by the Corporate Governance and Sustainability Committee, the General and Supervisory Board carries out, each year:

- The self-assessment of its activity and performance, as well as that of the Committees, the conclusions of the evaluation to be included in the General and Supervisory Board Annual Report.
- The independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of the assessment process to be included in the General and Supervisory Board Annual Report as an appendix.

Concerning the 2009 assessment procedures, the General and Supervisory Board has decided to reinforce its transparency and objectiveness through the adoption of the following procedure:

- Its members must fill individual evaluation questionnaires about the activity and performance of the General and Supervisory Board and the Executive Board of Directors.
- The questionnaire results are discussed at the General and Supervisory Board meeting, without the attendance of the Executive Board of Directors, and the General and Supervisory Board identifies the positive aspects and the ones that shall be improved.

For more information on the activity of the General and Supervisory Board during the financial year please see section 3 of its Annual Report.

Until April 15, 2009, the composition of the General and Supervisory Board was as follows:

General Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Concelção do Castro	Independent
	António Semente Gomes Reis	
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Brandão da Lorença Machado	Independent
	Éduardo de Almeida Castro	Independent
	Fernando Manuel Barbosa Faria de Oliveira	
	José Manuel dos Santos Fernandes	
	José Maria Brandão dos Reis (em representação da Cajastur Inversões, S.A.)	Independent
	José Maria Espírito Santo Silva Ricciardi	
	Khalifa Abdulla Khama Al Romathi	
	Manuel Fernando da Maceda Alves Monteiro	Independent
	Mohamed Meziane (em representação da Sonatrach)	Independent
	Ricardo José Moutão da Cruz Filipe	
	Rui Eduardo Ferreira Rodrigues Pires	Independent
	Vasco Maria Guimarães José de Mello	
	Vitor Fernando da Conceição Gonçalves	Independent

On 4 and 6 March 2009, Victor Domingos Seabra Franco and Vital Moreira Martins resigned, respectively, to the office of members of the General Council and Supervisory Board. As a consequence, the offices held by them in the committees that they belonged to were also terminated.

Following the General Meeting held on 15 April 2009, the company Cajastur Inversões, SA and Societe Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialization des Hydrocarbures ("Sonatrach") appointed, respectively, José Maria Brandão de Brito and Mohamed Meziane, as their representatives in the General and Supervisory Board.

After the General Meeting on 15 April in which members of the corporate bodies for the term corresponding to the three-year period 2009/2011 were elected, the General and Supervisory Board has the following composition:

On 10 February 2010, Sonatrach informed EDP that, pursuant to the resignation to the office of Mohamed Meziane, he would be replaced by Farid Boukhalfa as its representative in the General and Supervisory Board.

For more information regarding changes to the composition of the General and Supervisory Board please see section 2.1. of its Annual Report.

General and Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Concelção do Castro	Independent
	António Semente Gomes Reis	
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Brandão da Lorença Machado	Independent
	Éduardo de Almeida Castro	Independent
	Fernando Manuel Barbosa Faria de Oliveira	
	José Manuel dos Santos Fernandes	
	José Maria Brandão dos Reis (em representação da Cajastur Inversões, S.A.)	Independent
	José Maria Espírito Santo Silva Ricciardi	
	Khalifa Abdulla Khama Al Romathi	
	Manuel Fernando da Maceda Alves Monteiro	Independent
	Mohamed Meziane (em representação da Sonatrach)	Independent
	Ricardo José Moutão da Cruz Filipe	Independent
	Rui Eduardo Ferreira Rodrigues Pires	Independent
	Vasco Maria Guimarães José de Mello	
	Vitor Fernando da Conceição Gonçalves	Independent

### 2.3.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is the body responsible for the management of the company's business activities and for representing the Company, in accordance with the Companies Code and EDP Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is made up of 7 members, who were re-elected at the General Meeting of 15 April 2009 for the term corresponding to the three year period 2009/2011.

The professional qualifications of the members of the Executive Board of Directors can be consulted in the Corporate Bodies section.

The Executive Board of Directors habitually meets once a week, though it is obliged to meet only once every two months.

The Executive Board of Directors requires the presence of a majority of its members at a meeting in order to deliberate. Each member may not represent more than one other member at a meeting. All directors have equal voting rights and the Chairman has the casting vote.

The work of the Executive Board of Directors is governed by an internal regulation, available on the EDP website ([www.edp.pt](http://www.edp.pt)).

The powers of the Executive Board of Directors, in accordance with the Articles of Association, include:

- Establishing the objectives and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;
- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;
- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;
- Incorporating companies and subscribing, acquiring, encumbering and transferring shareholdings;

- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;
- Establishing proxies with such powers as it may deem fit, including the power to delegate;
- Appointing the general secretary and his/her alternate;
- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and
- Establishing its regulation setting out rules applicable to its internal functioning.

Moreover, proposals for amendments to the Articles of Association in matters of capital increases that are submitted by the Executive Board of Directors are subject, pursuant to Article 17.2 g) of the Articles of Association, to a prior opinion of the General and Supervisory Board.

The Chairman of the Executive Board of Directors has competencies of its own, and is responsible for:

- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring the correct execution of the decisions of the Executive Board of Directors.

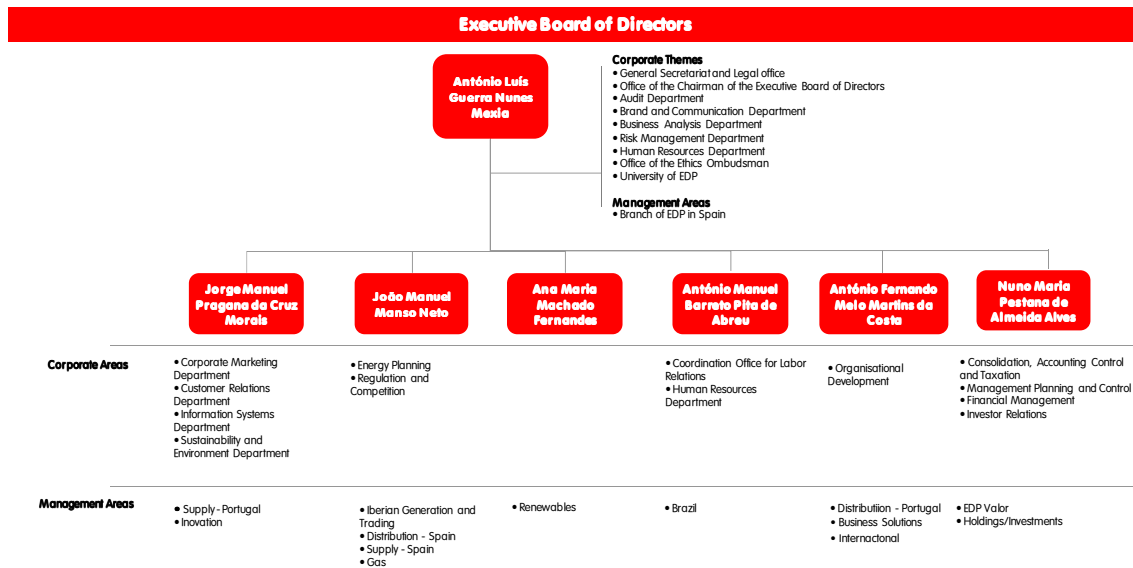
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations which involve a conflict of interests.

The Chairman of the Executive Board of Directors forwards to the support office of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible to all members of the General and Supervisory Board.

The performance of the Executive Board of Directors is assessed continuously and independently by the General and Supervisory Board.

The Executive Board of Directors met 48 times in 2009.

The Executive Board of Directors is organised in accordance with the following management areas and corporate areas:



The offices held by members of the Executive Board of Directors in other Group companies are as follows:

	António Mexia	Ana Maria Fernandes	António Martins da Costa	António Pita de Abreu	João Manso Neto	Jorge Cruz Morais	Nuno Almeida Alves
Balwerk — Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	-	M	M
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	PR	PR	PR	-	PR	-	PR
EDP — Estudos e Consultoria, S.A.	-	-	-	A	-	-	CBO
EDP — Gestão da Produção de Energia, S.A.	-	-	-	-	CBO	-	-
EDP — Soluções Comerciais, S.A.	-	-	CBO	-	-	-	-
EDP Ásia — Investimentos e Consultoria Lda.	-	-	CBO	-	-	-	-
EDP Comercial — Comercialização de Energia, S.A.	-	-	-	-	-	CBO	-
EDP Energias do Brasil, S.A.	CBO	A	-	VCBD + DC	-	-	A
EDP Energia Ibérica S.A.	-	-	-	-	A	CBO	-
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás II, SGPS, S.A. (ex NQF Gás, SGPS, S.A.)	-	-	-	-	CBO	-	-
EDP Gás III, SGPS, S.A. (ex NQF — Energia, SGPS, S.A.)	-	-	-	-	CBO	-	-
EDP Gás, SGPS, S.A.	-	-	-	-	CBO	A	-
EDP Gás.Com — Comércio de Gás Natural, S.A.	-	-	-	-	A	CBO	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	CBO
EDP Internacional, S.A.	-	-	CBO	-	-	-	-
EDP Investimentos, SGPS, S.A. (ex NQF — PTE, SGPS, S.A.)	-	-	-	-	CBO	-	-
EDP Renováveis Brasil, S.A.	-	CBO	-	VP	-	-	-
EDP Renováveis, S.A.	CBO	VCBD	A	-	A	-	A
EDP Serviner — Serviços de Energia, S.A.	-	-	-	A	-	CBO	-
EDP Valor — Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBO
Electricidade de Portugal Finance Company Ireland Lt.	-	-	-	-	-	-	D
Empresa Hidroeléctrica do Guadiana, SA	-	-	-	-	CBO	-	-
ENEOP — Eólicas de Portugal, S.A.	-	CBO	-	-	-	-	-
Energia RE, S.A.	-	-	-	-	-	-	CBO
Hidroeléctrica del Cantábrico, S.A.	-	A	-	A	VP/CD	A	A
Horizon Wind Energy, LLC	-	A	CBO	-	-	-	A
Naturgás Energia Grupo, S.A.	-	-	-	-	VP	A	-
Nuevas Energias de Occidente, S.L	-	CBO	-	-	-	-	-
Sóvida — Medicina Apoiada, S.A.	-	-	-	-	-	-	CBO
SCS — Serviços Complementares de Saúde, S.A.	-	-	-	-	-	-	CBO

CBD - Chairman of the Board of Directors

M - Manager

CEBD - Chairman of the Executive Board of Directors

VCBD - Vice-Chairman of the Board of Directors

DC - Director-Chairman of the Board Executive Board)

A — Administrador

R — Representative

D - Director

VP/CD — Vice-President and Counselor-Delegate

PR - Permanent Representative

### 2.3.4. STATUTORY AUDITOR

The Statutory Auditor is the corporate body responsible for examining the financial statements. It is elected by the General Meeting of Shareholders for three year period terms.

In accordance with the Companies Code and the Articles of Association, the Statutory Auditor is in particular responsible for verifying:

- The regularity of the company's books, accounting records and the respective supporting documents;
- When, and in the form it deems fitting, the cash and all assets or securities belonging to the company or received by it as a guarantee, deposit or for any other purpose;
- The exactness of the account rendering documents;
- Whether or not the accounting policies and valuation criteria adopted by the company lead to a correct evaluation of the assets and profits.

The Statutory Auditor and its alternate were re-elected by the General Meeting of 15 April 2009 and are as follows:

Statutory Auditor	
Permanent	KPMG & Associados, SROC, S.A. representada por Jean-éric Gaign, ROC
Alternate	Vitor Manuel da Cunha Ribeirinho, ROC

### 2.3.5. REMUNERATION COMMITTEE - GENERAL MEETING

The remuneration of members of the corporate bodies, with the exception of the members of the Executive Board of Directors, is fixed by the Remuneration Committee elected by the General Meeting.

In accordance with Article 11-2d) of the Articles of Association, the members of the Remuneration Committee – General Meeting should be independent.

Until April 15, 2009, the Remuneration Committee – General Meeting was composed of the following members:

Remuneration Committee - General Meeting	
Chairman	José Manuel Archer Galvão Teles Parpública – Participações Públicas, (SGPS), SA

The current members of the Remuneration Committee – General Meeting elected by the General Meeting of 15 April 2009 are as follows:

Remuneration Committee - General Meeting	
Chairman	José Manuel Archer Galvão Teles Carlos Alberto Velga Anjos Parpública – Participações Públicas, (SGPS), SA

This General Meeting was attended by the members of the Remuneration Committee – General Meeting who have set the remuneration of the corporate bodies during the term of office which expired on 31 December 2008.

The President of the Committee issued a statement on the remuneration policy followed by the Committee over such term.

As regards the term 2009/2011, the Remuneration Committee - General Meeting decided in February 2010 to approve the remuneration policy applicable to the corporate bodies of EDP, with the exception of the Executive Board of Directors, setting their remuneration. In the annual General Meeting of 2010, in accordance with Law 28/2009 of 19 June, the Chairman of the Remuneration Committee - General Meeting intends to submit the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period term.

### 2.3.6. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment and Sustainability Board was elected by the General Meeting of 15 April 2009 for a term period of three years.

This Board was set up as a corporate body in 1991 under a different name. Its name was changed to Environment and Sustainability Board at the Annual General Meeting of Shareholders of 30 March 2006.

The Environment and Sustainability Board has powers to advise the Executive Board of Directors in environment and sustainability-related matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and in drawing up opinions and recommendations on the environmental impact of projects planned by the EDP Group.

The Environment and Sustainability Board is currently made up of persons with acknowledged competence in the field of environmental protection.

Until April 15, 2009, the Environment and Sustainability Board was composed by the following members:

<b>Environment and Sustainability Board</b>	
	João Martins Ferreira do Amaral
	Miguel Pedro Brito S.t. Aubyn
	Maria Madalena Monteiro Garcia Pres umido
	Maria da Graça Madeira Martinho

The current composition of the Environment and Sustainability Board elected by the General Meeting of 15 April 2009 is as follows:

<b>Environmental and Sustainability Board</b>	
<b>Chairman</b>	João Martins Ferreira do Amaral
	Miguel Pedro Brito S.t. Aubyn
	Maria Madalena Monteiro Garcia Pres umido
	Maria da Graça Madeira Martinho
	Jos é de Sousa Cunhal Sendim

### 2.3.7. COMPANY SECRETARY

The Company General Secretary and respective alternate are appointed by the Executive Board of Directors. The Secretary has the powers conferred upon him/her by law and his/her term of office ends with the end of term of the Executive Board that appoints him/her.

Until April 15, 2009, the Company Secretary and alternate were:

<b>Company Secretary</b>	
<b>Secretary</b>	Maria Teresa Isabel Pereira
<b>Alternate</b>	Maria Virginia Bastos dos Santos

The current Company Secretary and alternate are:

<b>Company Secretary</b>	
<b>Secretary</b>	Maria Teresa Isabel Pereira
<b>Alternate</b>	Ana Rita Pontífice Ferreira de Almeida Córte-Real

### 2.3.8. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as main mission to make a specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or the information about certain subjects.

The committees' activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

The current specialised committees of the General and Supervisory Board were set up at the meeting of 7 May 2009.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company's overall performance.

The work of the committees is governed by an internal regulations, available on the EDP website ([www.edp.pt](http://www.edp.pt)).

#### COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

- COMPOSITION, POWERS AND FUNCTIONING

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting, as confirmed by the curriculum vitae of the Chairman, which can be consulted in the chapter on corporate bodies.

At April 15, 2009, the Committee on Financial Matters/Audit Committee was composed of the following members:

<b>Financial Matters Committee/Audit Committee</b>	
<b>Chairman</b>	Vitor Fernando da Conceição Gonçalves
	António Francisco Barros o de Sousa Gomes
	Manuel Fernando de Macedo Alves Monteiro

Currently, and since May 7, 2009, the Committee on Financial Matters/Audit Committee comprise the following members elected at

the General Meeting of 15 April 2009 for the current three year term of office 2009/2011:

Financial Matters Committee/Audit Committee	
Chairman	Vitor Fernando da Conceição Gonçalves
	António Samento Gomes Mata
	Manuel Fernando de Macedo Alves Monteiro

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion on the annual report and accounts
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company;
- To exercise any other powers that may be conferred upon it by law.

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relation or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2% or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005. In 2009, the Committee on Financial Matters/Audit Committee met 15 times. Minutes of all meetings were drawn up.

- WHISTLE-BLOWING POLICY

The EDP Group has always carried out its activity by consistently implementing measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides the Group workers with a channel enabling them to report directly and confidentially to the Committee on Financial Matters/Audit Committee of the General and Supervisory Board any practice presumed illicit or any alleged accounting and/or financial irregularity in their company, in compliance with the provisions of CMVM Regulation no. 1/2007.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the Committee on Financial Matters/Audit Committee;
- Facilitating the early detection of irregular situations which, if practised, might cause serious damage to the EDP Group, its workers, customers and shareholders.

The Committee on Financial Matters/Audit Committee can be contacted by e-mail, fax and regular mail, and access to the information received in this context is restricted.

All complaints or reports to the Committee on Financial Matters/Audit Committee are treated with the strictest confidentiality. The identity of the whistle-blower is kept secret, provided that this does not hinder investigation of the complaint.

In accordance with its established regulations, EDP guarantees that no employee will be the target of any retaliatory or disciplinary action as a result of exercising their right to report irregular situations, provide information or assist in an investigation.

#### REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by is governed by an internal regulation approved by the General and Supervisory Board..

In 2009, the committee met 5 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent.

### Remuneration Committee of the GSB

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

The members of the Remuneration Committee, which belonged to this committee during the term of the General and Supervisory Board ended December 31, 2008, attended the General Meeting on 15 April 2009. The Chairman of the Committee submitted at the General Meeting a statement on the remuneration policy adopted by the Committee during this period.

As regards the term 2009/2011, the Remuneration Committee decided on 21 September 2009 to approve the remuneration policy applicable to the Executive Board of Directors, setting their fixed remuneration. In the annual General Meeting of 2010, in accordance with Law 28/2009 of 19 June, the Chairman of this Committee intends to submit for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term.

### CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof;
- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring:

- Of the corporate governance practices adopted by the Company;
- Of the human resources and succession plans management.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

In 2009, the Committee met 4 times. Minutes of all meetings were drawn up.

Until April 15, 2009 the committee had the following composition:

### Corporate Governance and Sustainability Committee

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

The committee currently consists of the following members:

### Corporate Governance and Sustainability Committee

Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	Diogo Campos Barradas de Lacerda Machado
	José Maria Espírito Santo Silva Ricciardi
	Manuel Fernando de Macedo Alves Monteiro

## 2.4. BUSINESS OPERATIONS BETWEEN THE COMPANY AND THE MEMBERS OF THE CORPORATE MANAGEMENT AND SUPERVISION BODIES WITH QUALIFYING HOLDINGS AND COMPANIES IN A GROUP OR CONTROL RELATIONSHIP WITH EDP

In the current exercise of its activity, EDP performs business transactions and operations in normal market conditions for similar operations with a range of entities, in particular financial institutions. These include holders of qualifying holdings in the EDP capital and EDP group companies and subsidiaries which are not considered relevant due to their very nature or the fact that they are not significant in economic terms.

Moreover, in accordance with article 246, paragraph 3, point c) of the Securities Code, it is noted that during the year 2009, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

In the context of the qualitative improvement of the governance practices, it should be noted that the General and Supervisory Board has approved, on 29 October 2008, the "Reference Framework for the Treatment of Conflicts of Interests", which is available for consultation on the EDP website ([www.edp.pt](http://www.edp.pt)). This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that resulting from CMVM Regulation no. 1/2007.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its activity to the General and Supervisory Board.

With reference to 2009, the Corporate Governance and Sustainability Committee concluded that, with respect to the cases it analysed and on the basis of the information provided by the Executive Board of Directors, there was no evidence that potential conflicts of interests in

the business operations had been resolved in a way that was contrary to the interests of the company.

For further information on this matter, please see section 3.5.1 of the Annual Report of the General and Supervisory Board.

The table below shows the shares held by the members of the corporate bodies, as well as any alterations in these between the financial years 2008 and 2009, in compliance with Article 447 5) of the Companies Code.

## 2.5. EDP SHARES HELD BY MEMBERS OF THE CORPORATE BODIES

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		Energia do Brasil
	Movements in 2009	Avg. Purch./Sales price (euros)	N.º Shares 31-12-2009	N.º Shares 31-12-2008	Avg. Purch./Sales price (euros)	N.º Shares 31-12-2009	N.º Shares 31-12-2009
<b>General and Supervisory Board</b>							
António de Almeida <sup>1)</sup>	-	-	0	0	-	1.200	0
Alberto João Coraceiro de Castro	-	-	4.578	4.578	7,70	1.580	0
António Sarmento Gomes Mota	-	-	0	-	-	0	0
Cajastur Inversiones, S.A.	-	-	183.257.513	183.257.513	-	-	-
José Maria Brandão de Brito (em representação da Cajastur Inversiones, S.A.)	-	-	0	0	-	0	0
Carlos Jorge Romalho dos Santos Ferreira	-	-	40.000	40.000	-	0	0
Diogo Campos Barradas de Lacerda Machado	-	-	260	260	-	0	0
Eduardo de Almeida Catroga	-	-	1375	1375	-	0	0
Fernando Manuel Barbosa Faria de Oliveira	-	-	0	0	-	0	0
José dos Santos Fernandes	-	-	0	-	-	600	0
José Maria Espírito Santo Silva Ricciardi <sup>2)</sup>	-	-	0	0	-	2.320	0
Khalifa Adbulla Khamis Al Romalhi	-	-	0	0	-	0	0
Manuel Fernando de Macedo Alves Monteiro	-	-	0	0	6,82	2.750	0
Ricardo José Minotti da Cruz Filipe	-	-	6.622	-	-	500	0
Rui Eduardo Ferreira Rodrigues Pena	-	-	1.445	1.445	8,00	380	0
Sonatrach	-	-	81.713.076	81.713.076	-	-	-
Mohammed Meziane (em representação da Sonatrach)	-	-	0	0	-	0	0
Vasco Maria Guimarães José de Mello	-	-	0	0	-	0	0
Vítor Fernando da Conceição Gonçalves	-	-	3.465	3.465	-	680	-
<b>Executive Board of Directors</b>							
António Luís Guerra Nunes Mexia	-	-	1.000	1.000	7,79	4.200	1
Ana Maria Machado Fernandes	-	-	0	0	7,72	1.510	1
António Fernando Melo Martins da Costa <sup>3)</sup>	-	-	13.299	13.299	7,68	1.480	11
António Manuel Barreto Pita de Abreu <sup>4)</sup>	-	-	34.549	34.549	7,60	1.810	1
João Manuel Manso Neto	-	-	1.268	1.268	-	0	0
Jorge Manuel Pragana da Cruz Morais <sup>5)</sup>	-	-	12.497	12.497	7,80	1.990	0
Nuno Maria Pestana de Almeida Alves	10.000	2,614	50.000	40.000	7,76	5.000	1

Notes:

1) The shares of EDP Renováveis were purchased in 2008;

2) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi and were purchase in 2008;

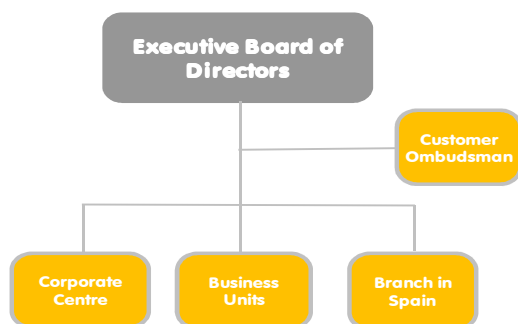
3) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Starzenska Martins da Costa;

4) The shares of EDP - Energias de Portugal, SA includes 475 shares held by his wife, Gilda Maria Pita de Abreu;

5) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto.

### 3. FUNCTIONAL STRUCTURE OF EDP

#### 3.1. THE GROUP ORGANISATIONAL MODEL



■ Functional structures

It is the responsibility of the Executive Board of Directors to define the organisational model of the Group and how tasks are distributed amongst the various business units, the Group's shared services company – EDP Valor – and the central structure. The latter consists of a Corporate Centre that plays an instrumental role of support to the Executive Board of Directors in defining and controlling implementation of the strategies, policies and goals for the respective business areas.

The Corporate Centre is organised in departments and business units, allowing for greater optimisation and efficiency of the organisational structure.

The Executive Board of Directors is also supported by specialised committees, allowing for more effective and efficient monitoring and better support of the company management.

#### 3.2. CORPORATE CENTRE

The current organisation of the central support structure for decision-making processes is as follows:

Corporate Centre • Business Units	
<b>DEPARTMENTS</b>	
<b>SUPPORT TO GOVERNANCE AREA</b> General Secretariat and Legal office Office of the Chairman of the Executive Board of Directors and Institutional Relations Audit Department Office of the Ethics Ombudsman	<i>Maria Teresa Pereira Duarte Castro Bello Azucena Viñuela Hernández Carlos Alberto Loureiro</i>
<b>STRATEGIC AREA</b> Energy Planning Department Business Analysis Department Risk Management Department University of EDP	<i>Pedro Neves Ferreira Pedro Pires João José Allen Lima Nuno Manuel Brito</i>
<b>FINANCIAL AREA</b> Investor Relations Consolidation, Accounting Control and Taxation Department Management Planning and Control Department Financial Management Department	<i>Miguel Henriques Viana Miguel Ribeiro Ferreira Nuno Miguel Chung Paula Cristina Guerra</i>
<b>MARKETING AND COMMUNICATION AREA</b> Corporate Marketing Department Brand and Communication Department Customer Relations Department	<i>Maria Inês Lima Paulo Campos Costa Paula Pinto da Fonseca</i>
<b>SYSTEMS AND ORGANISATIONAL AREA</b> Information Systems Department Organisational Development Department	<i>José Salas Orta Rui Ferin Cunha</i>
<b>HUMAN RESOURCES AREA</b> HR Department Coordination Office for Labor Relations	<i>Maria João Martins Eugénio Purificação Carvalho</i>
<b>SUSTAINABILITY AND REGULATION AREA</b> Regulation and Competition Department Sustainability and Environmental Department	<i>Maria Joana Simões António Neves de Carvalho</i>
<b>COORDINATION AREA FOR STAKEHOLDERS RELATIONS</b> Office of the Chairman of the Executive Board of Directors and Institutional Relations Corporate Marketing Department Brand and Communication Department Sustainability and Environmental Department Customer Relations Department	<i>Paulo Campos Costa</i>
<b>BUSINESS UNITS</b>	
Energy Management Business Unit	<i>Carlos Alves Pereira</i>

The functions and responsibilities of the current **Departments** are as follows:

The **General Secretariat and Legal Office** supports the Executive Board of Directors in administrative and logistical matters, thus ensuring the smooth functioning of the Corporate Centre, and provides legal assistance to the Group with the aim of guaranteeing observance of the applicable legislation. It also provides administrative support to the meetings of the Executive Board of Directors, including dissemination of the decisions reached.

The **Office of the Chairman of the Executive Board of Directors and Institutional Relations** supports the Chairman of the Executive Board of Directors in all matters determined by the latter, guarantees representation of the Group at the institutional level and participates, on behalf of the Chairman, in internal projects and initiatives. It also coordinates the management of the agenda and the support work for the office and represents the Chairman at events and meetings whenever necessary.

The main function of the **Audit Department (DA)** is the systematic and independent assessment of the Group activities with the aim of ensuring effectiveness of the management systems and processes and the internal control system. The DA's main responsibilities are to establish and manage the systematic planning of the internal audits at the Group level in the areas of finance, information, operations and management and to monitor the definition and implementation of corrective measures and improvements resulting from audits performed. It is also responsible for monitoring the implementation and maintenance of the Internal Control System, providing methodological support and guaranteeing its consistency and internal coherence, as well as reporting on its performance.

In accordance with the EDP Code of Ethics, the **Office of the Ethics Ombudsman (GPE)** is responsible for receiving, retaining and processing reports and complaints received by EDP on alleged infractions of the provisions of the code in matters of compliance with laws and ethics, conduct in the workplace, human rights, equal opportunities, integrity, relations with customers and suppliers, the environment and sustainability. The GPE must accompany each of the infraction proceedings it initiates to its conclusion, making contact with the reporter of the complaint wherever necessary and appropriate.

The **Energy Planning Department (DPE)** supports the Executive Board of Directors in processes for altering the Group's energy portfolio, contributing to an integrated vision of the portfolio and to the planning of its development in the various regions in which the Group operates. The DPE thus constitutes an organisational platform that links the Group's various electricity and gas business areas, helping to form the required integrated vision of the market and operation of the EDP Group.

The mission of the **Business Analysis Department (DAN)** is to contribute to defining and developing the Group business strategy by promoting and carrying out the analysis, study and realisation of new business opportunities and optimising the EDP business portfolio. Its main areas of work are the assessment of projects, identification of business opportunities, the analysis and execution of merger operations, the purchase and sale of assets and strategic alliance options, as well as providing analyses and studies for the Group's strategic planning processes.

The mission of the **Risk Management Department (DGR)** is to support the Executive Board of Directors in modelling and monitoring identification of the Group's risks with a view to risk minimisation and control. The use of the Integrated Risk Management System provides comparative advantages to EDP by enabling the risk factor to be included in the Group's strategic and operational decisions. There are always uncertainties associated with the business opportunities that are constantly presented to a group the size of EDP and the fact that these can be quantified by determining the corresponding risks is a decisive contribution towards correct decision-making.

The **University EDP's** mission is to develop knowledge and talent of the EDP Group employees, reinforcing the corporate culture as a competitive advantage of the Group for the excellence in customer service, enhancing innovation and sustainability in the environment where it is located.

**Investor Relations Department (DRI)** (see section 7.2)

The **Consolidation, Accounting Control and Taxation Department (DCF)** is structured into three areas of operation: (i) the area of consolidation, the main task of which is consolidation of the Group accounts and accounting reports; (ii) the area of corporate accounting standardisation (national, international and environmental); and (iii) the area of taxation. Its mission is to render the Group's accounts and define, implement, monitor and coordinate the rules, guidelines, policies and procedures for all the Group companies in Portugal, Spain, Brazil and other countries in matters of accounting, internal control, taxation, consolidation and reporting on a local and international basis (IFRS-IAS) in a standardised and consistent way.

The main tasks of the **Management Planning and Control Department (DCG)** are to support the Executive Board of Directors in the Group's corporate planning and to challenge the business units in their performance, guaranteeing their alignment with the Group's strategic objectives. It is responsible for coordinating the EDP Group's business plan and budget and for the corporate management control process.

The mission of the **Financial Management Department (DFN)** is to optimise the consolidated financial operations of the Group and control the financial liabilities in accordance with the approved policies. The DFN proposes the financial management policy of the Group and pursues implementation thereof. Its main responsibilities are: i) negotiating, managing and controlling financing, credit lines and banking and financial products and services; ii) optimising the Group's cash management; iii) proposing financial risk management policies, particularly in relation to interest and exchange rates, and applying the policies in the market; iv) liaisons with the debt capital and banking markets and the rating agencies; and v) monitor the management of the EDP Pension Fund.

The **Corporate Marketing Department (DMK)** is responsible for planning, developing and controlling the Group's marketing strategy with the aim of achieving a competitive market positioning and maximising the commercial outcome of the business operations.

The **Brand and Communication Department (DMC)** works in the planning, implementation and control of the Group's communication strategy with the aim of maximising brand value,

creating goodwill in relation to all stakeholders and furthering internal communication.

The mission of the **Customer Relations Department (DRE)** is to plan, implement and control the customer relations strategy, consolidate knowledge and promote a market-oriented culture, with the aim of improving customer satisfaction and loyalty levels.

The mission of the **Regulation and Competition Department (DRC)** is to support the Executive Board of Directors in decision-making processes in the areas of regulation and competition and in the relations with the various regulatory entities in the sector. The DRC monitors the development and implementation of new European directives on the internal market and on competition pertaining to the electricity and natural gas markets and studies the impacts of implementation of the Iberian Electricity Market (MIBEL). It also monitors alterations to the energy sectors at the legislative, regulatory and organisational levels that have implications for the profitability of the EDP companies, namely by developing economic/financial models and carrying out tariff studies.

The **Information Systems Department (DSI)** is responsible for aligning the Group's information systems with the business strategy, creating value by providing solutions that further effectiveness, efficiency and innovation within the Group. The DSI also proposes the Group strategy in matters of information systems and is responsible for their medium and long-term planning, including regular revisions and for studying and proposing the Group's information systems' architecture for an adequate support to its businesses.

The **Organisational Development Department (DDO)** is responsible for defining and implementing an organisational structure in permanent alignment with the Group strategy, supported by adequate business process management practices, and for coordinating transformation projects that aim to guarantee performance excellence for the Corporate Centre and the businesses.

The mission of the **Human Resources Department (DRH)** is to support the Executive Board of Directors in defining and implementing a Human Resources strategy that promotes the personal and professional development of all employees, responds to the strategic and operational needs of the Business Units and contributes to the corporate values of the EDP Group, by supporting a series of Centres of Competence to put the Human Resources value chain into practice, as follows: Change Communication and Management; Management of Potential; Career Management, Mobility and Succession; Training Management; Performance Management; Selection and Integration; Remuneration and Benefits; and Information and Technology to support HR Management.

The **Coordination Office for Labour Relations (GCRL)** negotiates (or monitors negotiation when outside Portugal) of the Collective Employment Agreements, manages relations with the Ministry of Labour and Social Solidarity and the official entities dependent on it, Works Council, Trade Unions, Workers' Association, Pensioners' Association and other similar institutions for workers, former workers and pensioners. The office's main responsibilities are: i) to draw up and propose the instruments of collective regulation for the Group and carry out the respective negotiation in Portugal; ii) to guarantee complete understanding of the labour-related legislation

in all the countries in which the Group operates and ensure compliance with said legislation; iii) to propose and implement strategies for relations with the social partners; iv) to monitor the management of the EDP Pension Fund in the HR perspective, in particular the actuarial responsibilities; and v) to develop the EDP Flex Plan and monitor management thereof.

The main responsibilities of the **Sustainability and Environment Department (DSA)** are to support the Executive Board of Directors in defining the sustainability and environmental policy and objectives and to cooperate with the businesses with a view to boosting complementarities and synergies in these areas and, in particular, to contribute to the operationalisation of the policies and initiatives in the area of the Group's environmental management.

The **Stakeholder Relations Coordination Area** is an organisational area which coordinates relations with the EDP Group's main stakeholders in a structured and coherent manner, mainly employees, customers, the media, NGOs, the government, local authorities, the European Community, opinion formers and others. This area ensure a constant coordination of dialogue with all the stakeholders involved, as well as with the EDP Group's network of Foundations;

The **Energy Management Business Unit (UNGE)** is responsible for negotiating the physical and forward purchases of fuel and contracting maritime transport in the name of, and on behalf of, the relevant EDP companies. It is also responsible for carrying out spot and forward purchases and sales in the electricity market of a physical and financial nature, namely energy derivatives and foreign exchange operations. It also decides on operational and supply programmes of the EDP Group electricity generating plants where the energy management is under its responsibility, with the aim of optimising the portfolio and supplying energy to the clients of the EDP Group's sellers. Additionally, it is responsible for managing operations relating to the EDP Group's CO2 emission licences and green certificates.

### 3.2.1. ACTIVITY OF THE ETHICS OMBUDSMAN

Following the approval of the Group EDP Code of Ethics Regulation in 2008 by the General and Supervisory Board, the Ombudsman was designated and its respective office was set up, reporting directly to the Chairman of the Executive Board of Directors.

In the carrying out of its activity, the GPE has the technical support of the Sustainability and Environment Department.

During 2009, 226 complaints were received by the communications channels set up in the several geographical areas in which the group is present for the ethical reports, 23 of which were considered as not having an ethical nature.

From those reports, 14 are still active in 2010, as they are still pending proceedings.

The assessment and treatment of the above mentioned complaints were carried out by the competent structures as set out in the Group EDP Code of Ethics Regulation.

The ethical reports are classified in accordance with the principles and values established in the Code, including the areas of Ethics

and Legislation, Workplace Behavior, Human Rights and Equal Opportunities, Integrity, Relations with Clients and Suppliers and Sustainability and Environment.

Of the complaints received in 2009, 76% related to the Relations with Clients and Suppliers area, 6% to the Workplace Behavior area, 5% to the Sustainability and Environment area, 3% to the Human Rights and Equal Opportunities area and 0% to the Integrity area (the remaining 10% corresponded to complaints of a non ethical nature).

The majority of the complaints included in the Relations with Clients and Suppliers area did not result from complaints having an ethical nature but from processes with clients to whom a contact with the Ethics Ombudsman was suggested.

Of all complaints received, around 53% originated in Brazil, 43% in Portugal and 4% in Spain.

Additionally, the EDP Ethics Project was launched through training of employees who have leadership responsibilities, who shall train the remaining employees in the second phase of the Project.

### 3.3. SPECIFIC EDP COMMITTEE (FUNCTIONAL STRUCTURES)

With a view to achieving more effective and efficient support of the management of the company, the following specific committees were set up:

#### ETHICS COMMITTEE

EDP has always carried out its business activities within a framework of ethical values that are explicit or implicit in its business agenda, in its professional relations and obligations to the shareholders, in the Vision, Commitments and Culture and in the Principles of Sustainable Development defined by the Executive Board of Directors.

Following the approval of the EDP Group Code of Ethics, a specialised committee was set up to work together with the General and Supervisory Board's Corporate Governance and Sustainability Committee with the aim of:

- Supporting the definition of EDP Group policy regarding the code of conduct, the adoption of good practices and compliance with the highest standards of ethics;
- Establishing guidelines for regulating the matters for which it is responsible; and,
- Ensuring the proper regulation of ethical matters within the Group companies.

#### Ethics Committee

Chairman of the Executive Board of Directors  
 Chairman of the Board of Directors of EDP Distribuição  
 Member of the Board of EDP Produção  
 Human Resources Department  
 Sustainability and Environmental Department

In 2009 this committee met three times, all such meetings being chaired by the Chairman of the Executive Board of Directors.

#### INNOVATION COMMITTEE

The Innovation Committee has the following missions:

- To define strategic areas for innovation within the EDP Group, to be submitted to the approval of the Executive Board of Directors;
- To identify the projects to be carried out in the field of innovation and to submit them to the Executive Board of Directors;
- To monitor EDP Group initiatives and projects in the area of innovation that are in progress and to propose corrective measures wherever necessary;
- To analyse the conclusions from technology watch actions;
- To support the Energy Planning Committee in the analysis of new technological options;
- To prepare the meetings of the Innovation Board.

The committee meets on a half-yearly basis.

#### Innovation Committee

Chairman of the Executive Board of Directors  
 Member of Executive Board of Directors  
 Chairman of The Board of Directors of EDP Distribuição  
 Chairman of The Board of Directors of EDP Inovação  
 Member of the Board of EDP Inovação (5 Members)  
 Member of the Board of EDP Gás  
 Member of the Board of EDP Produção  
 Member of the Board of EDP Energias do Brasil  
 Member of the Board of Foundation EDP  
 Member of the Management Team EDP Renováveis  
 Business Analysis Department  
 Human Resources Department  
 Brand and Communication Department  
 Corporate Marketing Department  
 Energy Planning Department  
 Information Systems Department  
 Officer of HC Energia  
 Representative of EDP – Energias do Brasil

The Innovation Committee held one meeting in 2009, which was chaired by a member of the Executive Board of Directors responsible for the financial area as a representative of the Chairman of the Executive Board of Directors.

#### DISCLOSURE OF INFORMATION CONTROL AND PROCEDURES COMMITTEE

The Disclosure of Information Control and Procedures Committee (CDI) has three main functions:

- To identify and analyse the information that should regularly be made public by the company;
- To assist in the review of the information periodically disclosed by EDP in the context of preparing reports and other communications to the market;
- To make quarterly assessments of the control and disclosure of information mechanisms of EDP.

This committee is the organisational structure responsible for monitoring and assessing the control mechanisms and procedures for the disclosure of information. It is an integral part of the EDP Group's Information Certification Project, which also includes a project work group, led by the Internal Auditing Department working in close cooperation with the Executive Board of Directors, and teams from the business areas responsible for the control procedures in their respective areas of activity. The committee meets on a quarterly basis.

### Disclosure of Information and Procedures Committee

Member of the Executive Board of Directors (CFO)  
 Audit Department  
 Consolidation, Accounting Control and Taxation Department  
 Management Planning and Control Department  
 Brand and Communication Department  
 Investor Relations Department  
 General Secretariat and Legal office  
 Representative of EDP - Energias do Brasil  
 Representative of EDP Renováveis  
 Representative of the Investor Relations Department

### RISK COMMITTEE

The Risk Committee has the following responsibilities:

- To monitor significant risks and the EDP Group's risk profile;
- To approve the periodical reporting model proposed by the business units or the Risk Management Department, as well as other mechanisms for reporting and monitoring EDP risks;
- To approve or define recommendations on the Group's significant risks and on extraordinary situations in terms of risk, for analysis by the Executive Board of Directors;
- To approve or define recommendations on risk policies, procedures and limits for the EDP Group to be analysed and approved by the Executive Board of Directors.

### Risk Committee

Chairman of the Executive Board of Directors  
 Member of Executive Board of Directors (6 Members)  
 Member of the Board of EDP Gás  
 Member of the Board of EDP Inovação  
 Financial Management Department  
 Risk Management Department  
 Management Planning and Control Department  
 Energy Planning Department  
 Director of Energy Management Business Unit  
 Representative of EDP - Energias do Brasil  
 Representative of EDP Renováveis

Non-standing members participate in this committee's meetings when invited to do so depending on the respective items on the agenda. It also meets whenever an unexpected risk situation requires it.

In 2009, this committee met three times, with the presence of members of the Executive Board of Directors at all meetings.

### ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- To support the Executive Board of Directors in drawing up proposals for defining the EDP Group's strategic objectives with regard to accident prevention and safety at work, appraising the degree of application and effectiveness thereof and reporting on progress;
- To provide a critical analysis of the Annual Report and to give an opinion on the EDP Accident Prevention and Safety Action Plan;
- To monitor the evolution of the main work safety indicators and draw up proposals for improvement actions; and,
- To appraise and approve regulatory documents on the safety management system that apply within the EDP Group in general or apply across several areas of activity.

### Accident Prevention and Safety Committee

Member of Executive Board of Directors  
 Member of the Board of EDP Valor (Responsável Gabinete Segurança e Saúde)  
 Member of the Board of EDP Distribuição (RH)  
 Member of the Board of EDP Produção (RH)  
 Member of the Board of EDP Valor (RH)  
 Responsible Office Safety and Health EDP Valor  
 Responsible of Occupational Medicine (Office Safety and Health EDP Valor)  
 Representative of HC Energia  
 Representative of EDP - Energias do Brasil  
 Representative of EDP Renováveis

During 2009, the committee held one meeting, chaired by the member of the Executive Board of Directors member responsible for the financial area.

### ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- To plan and project the structural development of the market on a 5-year horizon;
- To define a baseline scenario for the purpose of the Business Plan;
- To identify the generation portfolio to adopt on a 5-year horizon;
- To provide an integrated vision of the Group's portfolio of quantities, covering generation, gas and the retail market;
- To identify gas and CO<sub>2</sub> needs for the next 5 years;
- To analyse priorities for action in new technologies/innovation, in liaison with the Innovation Committee; and,
- To identify attractive business opportunities throughout the value chain and in the different geographical locations.

### Energy Planning Committee

Chairman of the Executive Board of Directors  
Member of Executive Board of Directors (Generation, Gas, HC Energia)  
Member of Executive Board of Directors (Renewables)  
Member of the Executive Board of Directors (de Supply)  
Member of Executive Board of Directors (Brazil)  
Member of the Board of EDP Comercial  
Member of the Board of EDP Gás  
Member of the Board of EDP Produção  
Director Corp. HC Energia  
Director Energy Planning Department - Energias do Brasil  
Representative of da EDP Renováveis (2 members)  
Business Analysis Department  
Management Planning and Control Department  
Investor Relations Department  
Energy Planning Department  
Risk Management Department  
Regulation and Competition Department  
Responsible for the Energy Management Business Unit

### INVESTMENTS COMMITTEE

The Investments Committee is responsible for the following:

- Analysing, challenging, filtering and issuing opinions on organic growth investment projects, which either form part of the budget or entail changes to it, according to the amounts and profitability involved.

### Investments Committee

Member of Executive Board of Directors (CFO)  
Business Analysis Department  
Management Planning and Control Department  
Energy Planning Department  
Member of the Board of EDP Distribuição  
Member of the Board of EDP Gás  
Member of the Board of EDP Internacional  
Representative of EDP Produção  
Director of HC Energia  
Member of the Board of EDP - Energias do Brasil  
Member of the Management Team EDP Renováveis

In 2009 the committee met 18 times, with the Executive Board of Directors member responsible for the financial area attending all meetings.

### CAREERS, MOBILITY AND TRAINING COMMITTEE

The Careers, Mobility and Training Committee has the following main areas of responsibility:

- Approving measures designed to further evolution and/or mobility of the workforce, in particular with reference to Macrostructure workers, high-potential managerial staff and performers with potential;
- Guaranteeing the implementation of Succession Plans for key positions in the EDP Group;
- Monitoring the development of careers in the Macrostructure workforce, high-potential managerial staff and performers with potential and analysing expectations and possible hindrances; and,
- Approving the EDP Group's Training Plan and monitoring its implementation.

### Careers, Mobility and Training Committee

Chairman of the Executive Board of Directors  
Member of Executive Board of Directors (6 Members)  
Member of the Board of EDP Comercial (RH)  
Member of the Board of EDP Distribuição (RH)  
Member of the Board of EDP Produção (RH)  
Member of the Board of EDP Soluções Comerciais  
Member of the Board of EDP Valor (RH)  
Human Resources Department  
Representative of HC  
Representative of EDP - Energias do Brasil  
Representative of EDP Renováveis

This committee met once in 2009. All members of the Executive Board of Directors attended the meeting.

### REMUNERATION COMMITTEE

The Remuneration Committee is responsible for the following:

- Approving the remuneration model (fixed, variable and incentives) for all employees in the EDP Group, under proposal of the HR Strategic Management Department;
- Approving the benchmarks for the Key Performance Indicators (management by objectives) for Macrostructure workers, high-potential managerial staff and performers with potential, as well as the corresponding annual performance calculation;
- Regularly fostering development and comparative analysis (benchmarks) at the national and international levels with a view to defining adequate (fixed and variable) remuneration levels and fringe benefits for all Macrostructure workers, high-potential managerial staff and performers with potential, in particular the Macrostructure "payment package", and align the strategy for compensation for all workers; and,
- Reporting on the remuneration policies to all stakeholders.

### Remuneration Committee

Chairman of the Executive Board of Directors  
Member of Executive Board of Directors (6 Members)  
Human Resources Department

This committee met once in 2009. All members of the Executive Board of Directors attended the meeting.

### INFORMATION TECHNOLOGY COMMITTEE

The Information Technologies Committee is responsible for the following:

- Developing guidelines for the strategic planning of information systems;
- Approving the annual plan and budget for information systems (application and infrastructure projects), to be submitted to the Executive Board of Directors for approval;
- Allocating funds and resources for large-scale initiatives;

- Defining priorities with respect to strategic projects;
- Projecting budget allocations for unplanned projects; and,
- Resolving issues such as the distribution of limited resources and those involving with unplanned requirements for strategic projects.

### Information Technology Committee

Member of Executive Board of Directors (Information Systems)  
 Member of the Board of EDP Distribuição (Information Systems)  
 Member of the Board of EDP Produção (Information Systems)  
 Member of the Board of EDP Soluções Comerciais (Information Systems)  
 Member of the Board of EDP Valor (Information Systems)  
 General Manager of EDP (Information Systems)  
 Organisational Development Department  
 Corporate Marketing Department  
 Information Systems Department  
 Officer of EDP Gás (Information Systems)  
 Representative of HC Energia  
 Representative of EDP – Energias do Brasil  
 Representative of EDP Renováveis

This committee met once in 2009. This meeting was chaired by the member of the Executive Board of Directors responsible for information systems.

### REGULATION COMMITTEE

The main responsibilities of the Regulation Committee are:

- Monitoring the development of European Commission's energy strategy and policy and the implementation of new European internal market and competition directives for the electricity and natural gas sectors and to study their impact on the Iberian Market;
- Monitoring alterations in terms of policies, legislation, regulations and organisation to the energy sectors in Portugal and Spain (namely in the scope of the Iberian Market), anticipating the structural implications thereof for the sectors in terms of energy prices and tariffs, company profitability and possible needs or obligations for alterations at the organisational level, namely through identification and monitoring of the most relevant regulatory risks;
- Supporting the Executive Board of Directors in drawing up proposals defining the positions to be defended by the EDP Group in the context of the Iberian and European Markets in terms of regulation and competition;
- Fostering the exchange of experiences on regulatory practices in Europe and the Iberian peninsula as well as those applicable in Brazil;
- Monitoring the trends in prices and the implications of the tariff policies and decisions (per se and on a comparative basis) in the regulated activities.

### Regulation Committee

Member of Executive Board of Directors (Regulation)  
 Member of Executive Board of Directors (Distribuição)  
 Member of Executive Board of Directors (Customer Relations)  
 Member of the Board of EDP Gás  
 Regulation and Competition Department  
 Officer HC Energia EDP Gas  
 Officer of HC Energia (Regulation)  
 Officer of Naturgas (Regulation)  
 Officer of EDP – Energias do Brasil (Regulation)  
 Representative of Naturgás (Regulation)  
 Representative of EDP Renováveis

This committee met 8 times in 2009, in the presence of members of the Executive Board of Directors and with the member of the Executive Board of Directors responsible for regulation attending the meetings.

### ENVIRONMENT AND SUSTAINABILITY COMMITTEE

The Environment and Sustainability Committee has the following responsibilities:

- Preparing and annually updating the medium/long-term Strategic Sustainability and Environment Plan for the EDP Group to be submitted to the Executive Board of Directors for approval;
- Proposing the annual action plans and defining the objectives and goals to be met by the Group to be submitted to the Executive Board of Directors for approval;
- Monitoring the progress of approved plans of action; and,
- Monitoring the activities of the sustainability and environmental management structures of the Group companies.

### Environmental and Sustainability Committee

Chairman of the Executive Board of Directors  
 Member of Executive Board of Directors (Sustainability)  
 Chairman of The Board of Directors of EDP Inovação  
 Member of the Board of EDP Comercial  
 Member of the Board of EDP Distribuição (Sust. and Env.)  
 Member of the Board of EDP Gás  
 Member of the Board of EDP Produção (Sust. and Env.)  
 Member of the Board of EDP Soluções Comerciais (Sust. and Env.)  
 Member of the Board of EDP Valor (Sust. and Env.)  
 Member of the Board of EDP Energias do Brasil  
 Member of the Board of Foundation EDP  
 Risk Management Department  
 Brand and Communication Department  
 Investor Relations Department  
 Human Resources Department  
 Sustainability and Environment Department  
 Officer of HC (Environmental)  
 Representative of EDP – Energias do Brasil  
 Representative of EDP Renováveis

Given the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever he/she deems fitting. The committee meets at least once every quarter.

The Committee of Sustainability and Environment held a meeting in 2009 and was attended by the Chairman of the Executive Board of Directors and the administrator with responsibility for the area of sustainability.

However, in 2009, most of the affairs of the Committee of Sustainability and Environment have been addressed in meetings of the Steering Committee, which was formed to follow up specific projects in the areas of sustainability and the environment.

This Committee met 5 times in 2009, with the presence of the Chairman of the Executive Board of Directors and the Administrator with responsibility for the area of sustainability. "

#### PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- To support the Executive Board of Directors in the strategic coordination of the Group's procurement policies;
- To ensure top-level articulation between the various businesses with regard to procurement;
- To dynamise and continuously analyse the performance of the structures involved in procurement;
- To monitor the main group procurement indicators, particularly in terms of volumes purchased and savings obtained; and,
- To follow in detail the most important procurement negotiations carried out by the Group's procurement structures.

#### Procurement Committee

Member of Executive Board of Directors (Finanças)  
 Member of the Board of EDP Valor (Compras)  
 Member of the Board of EDP – Energias do Brasil (Compras)  
 Member of the Management Team EDP Renováveis (Compras)  
 Officer of EDP Valor (Procurement Platform)  
 Representative of EDP Gás (Compras)

In 2009, this committee held 5 meetings which were chaired by the director responsible for the financial area.

#### PRICES AND VOLUMES COMMITTEE

The main purpose of the Prices and Volumes Committee is to guarantee that the Group has access to the best information and perspective on market evolution at any given moment. Accordingly, the committee is responsible for:

- Sharing relevant and up-to-date market information;
- Deciding on what should be considered relevant information on the evolution of key variables to be made available to the Group;
- Defining the forward curve that represents Group estimates in terms of market evolution;
- Providing an up-to-date database containing historical data and estimates for key market variables;

- Guaranteeing harmonisation amongst business areas with regard to shared information; and,
- Establishing itself as a forum for ongoing discussion and for sharing and aligning market perspectives and information.

#### Prices and Volumes Committee

Member of Executive Board of Directors (Energy Planning and G)  
 Member of Executive Board of Directors (Renováveis)  
 Member of Executive Board of Directors (Customer Relations)  
 Member of the Board of EDP Comercial  
 Member of the Board of EDP Gás (2 Members)  
 Member of the Board of EDP Produção (2 Members)  
 General Manager of HC Energia  
 Risk Management Department  
 Management Planning and Control Department  
 Energy Planning Department  
 Regulation and Competition Department  
 Officer of HC Energia (Planeamento)  
 Officer of UNGE  
 Officer of EDP Produção (Planning and Control)  
 Representative of Naturgás  
 Representative of EDP Renováveis

In 2009, this committee held 4 meetings which were chaired by the member of the Executive Board of Directors responsible for energy planning.

#### GENERATION COMMITTEE

The main responsibility of the Generation Committee is to coordinate, Iberia wide, the management of the generation business, ensuring articulation and standardisation between the activities of EDP Produção and HC Energia (Generation), with specific reference to:

- Exchange of information on the development of the business in each geographical area, including the respective regulatory environments;
- Dissemination of best practices, particularly in the context of operation of power generation infrastructures, with a view to identifying and harnessing synergies;
- Joint decision-making with a view to defining objectives (with a focus on developing power generation infrastructures); and,
- Broadening the scope of the committee to cover other regions, whenever necessary.

## Generation Committee

Member of Executive Board of Directors (Generation)  
Member of the Board of EDP Produção (3 Members)  
Adviser of the Board of EDP Produção  
Representative of Energias do Brasil  
Energy Planning Department  
Officer of EDP Produção (Planning and Control)  
Officer of EDP Produção (Business Development)  
Officer of EDP Produção (Hydro Generation)  
Officer of EDP Produção (Thermal Generation)  
Officer of EDP Produção (Projects and Investments)  
Officer of EDP Produção (Quality and Process)  
Officer of EDP Produção (Integrated Management of Environmental Matters)  
Officer of EDP Produção (Cogeneration and Biomass)  
Officer of HC Energia - Environmental  
Officer of HC Energia - Studies and Communication  
Officer of HC Energia - Generation  
Officer of HC Energia - Projects  
Officer of Energy Management Business Unit  
Representative of EDP Produção (Planning and Control)

This committee met twice in 2009, with the member of the Executive Board of Directors responsible for generation attending the meetings.

## DISTRIBUTION COMMITTEE

The main responsibility of the Distribution Committee is to guarantee the Iberia-wide coordination of distribution and coordinate and standardise the activities of EDP Distribuição, HC Energia (Distribution) and EDP Brasil, with special reference to:

- Drawing up joint proposals for strategic objectives for the EDP Group's distribution activity, assessing their degree of implementation and effectiveness and reporting on progress;
- Monitoring developments in the main activity indicators and drawing up proposals for improvements;
- Reviewing the periodical reporting model, as well as other mechanisms for reporting, controlling and disclosing information;
- Promoting the development of national and international benchmarks;
- Fostering exchange of experiences on the regulatory environments and practices in the different regions; establishing guidelines for the regulation of matters under its responsibility and monitoring and studying the effects of alterations in terms of policies, legislation, regulation and organisation on the energy sectors;
- Disclosing and sharing information on the evolution of the distribution business in each region, as well as on best practices, with a view to identifying projects of mutual interest, improving the efficiency and effectiveness of operations, and identifying synergies; Sharing information on the management of high-impact events;
- Analysing, and issue opinions on, the criteria used to evaluate investment projects and planning models;
- Ensuring coordination with regard to standardising projects and heavily used equipment and analysing new technological options and identifying priorities for action in the area of new technologies/innovation.

## Distribution Committee

Member of Executive Board of Directors (Distribuição)  
Chairman of the Board of Directors of EDP Distribuição  
Member of the Board of EDP Distribuição (2 Members)  
Member of the Board of EDP Energias do Brasil  
Officer of HC Energia - Distribuição

This committee met three times in 2009. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

## COMMERCIAL COMMITTEE

The Commercial Committee's main responsibility is to coordinate the commercial area Iberia-wide and to ensure coordination and standardisation of the activities of EDP Comercial and HC Energia (Marketing and Supply), in particular:

- Exchange of information on the evolution of the business in each region, including the respective regulatory environments;
- Dissemination of best practices in the supply of energy services, with a view to identifying and harnessing synergies; and,
- Joint decision making in relation to business with an impact at the Iberian level, in particular with regard to setting objectives, implementing the marketing plan and defining conditions for energy purchase.

## Commercial Committee

Member of Executive Board of Directors (Supply)  
Member of Executive Board of Directors (Generation)  
Member of the Board of EDP Comercial (2 Members)  
Member of the Board of EDP Gás  
Member of the Board of EDP Soluções Comerciais  
General Manager of HC  
General Manager of Naturgas  
Member of the Board of EDP - Energias do Brasil  
Brand and Communication Department  
Corporate Marketing Department  
Officer of HC Energia - Customer Relations  
Officer of HC Energia - Marketing  
Officer of Naturgas (Customer Relations)

## PENSION PLAN AND FUND COMMITTEE

The main responsibilities of the Pension Plan and Fund Committee are to define the strategy for the Pension Plan and Fund and guarantee its alignment with the EDP Group strategy. It is responsible for strategic decisions on:

- The pension plan;
- Risk assessment for the pension plan; and,

- The pension fund's management structure.

### **Pension Plan and Fund Committee**

Chairman of the Executive Board of Directors  
 Member of Executive Board of Directors (CFO)  
 Member of the Board of EDP Valor (Relações Laborais)  
 Consolidation, Accounting Control and Taxation Department  
 Risk Management Department  
 Representative of Financial Management Department

This committee met 3 times in 2009, with the member of the Executive Board of Directors responsible for the financial area attending the meetings.

### **COMMITTEE ON INFORMATION SECURITY**

The Committee on Information Security has the following responsibilities:

- Provide an opinion on the Strategic Plan for Information Security, EDP;
- Discuss the more relevant security initiatives, with a view to their inclusion in the annual Information Security Information of the EDP Group;
- Give advice on policy Information Security, of the EDP Group and its evolution;
- Evaluate and approve exceptions to the EDP's Policy on Information Security, where justified by business reasons and by a formal acceptance of risk. Promoting the adoption of the EAC all the exceptions, by their nature, pose a high risk for the EDP Group;
- To promote communication and discussion about major changes in EDP, to identify the impacts the level of information security and to monitor the risk profile of the EDP Group;
- Monitor the implementation of the Program for Information Security Information EDP and KPI performance

### **Information Security Committee**

Member of Executive Board of Directors (Information Systems)  
 Audit Department  
 Financial Management Department  
 Risk Management Department  
 Management Planning and Control Department  
 Human Resources Department  
 General Secretariat and Legal office  
 Information Systems Department  
 Officer of Energy Management Business Unit  
 Responsible of Government IT DSI  
 Responsible of Information Security DSI  
 Responsible for Security and Risk of companies

### **3.4. CUSTOMER OMBUDSMAN**

The Customer Ombudsman is an independent entity created in 2009. It aims to support the EDP Group's customer care policy, and has the following remit:

- To receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- To enter into dialogue with complaining customers;
- To arbitrate disputes and conflicts between customers and EDP Group companies;
- To issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- To propose the adoption of measures to help improve levels of service quality and customer satisfaction;
- To establish contacts with third parties to obtain specialist information and knowledge so recommendations can be made to the EDP Group companies on the adoption of measures to improve their customer relations.

The Customer Ombudsman holds office for a period of 3 years, and this term is renewable once only, for an equal period. In the scope of the performance of his duties, the Customer Ombudsman has the use of an independent organic structure called the Office of the Customer Ombudsman, as well as an annual budget allocation.

### **3.5. BRANCH IN SPAIN**

The mission of EDP - Energias de Portugal, Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of the EDP Group companies in Spain with a view to guaranteeing maximum synergies and the creation of value in the operations and activities in Spain. It also serves as an organisational platform for managing the Iberia-wide integration of support services. All majority shareholdings in EDP Renováveis S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect shareholding in NG Energia (Naturgas Energia Grupo S.A.) by virtue of the majority control of the latter, have been directly allocated to the subsidiary's assets.

The branch has offices in Madrid and Oviedo. The branch is represented by means of Permanent Representatives that are members of the EDP Executive Board of Directors appointed for that purpose.

The administration, coordination, management and representation of EDP Sucursal de España is made up of the Executive Committee, the Management Committee and the Coordination Committees. The Executive Committee is made up of five Permanent Representatives of EDP, a Group Controller for activities in Spain and by the first line managers in charge of the business units in Spain. It fundamentally serves as the coordination body for the activities of the permanent representatives. The Management Committee is chaired by the Group Controller and is also made up of the natural extension of the management departments at the EDP Corporate Centre, namely the Business Analysis, Legal, Audit, Spanish Taxation, Financial Management, Shared Services and Information Systems departments. The committee carries out, in a homogeneously grouped way the tasks of these departments in Spain. Finally, the Coordination Committees for Generation, Supply and Gas are

chaired by members of the members of the EDP Executive Board of Directors responsible for the respective management areas with a view to harnessing synergies with Spain and eliminating inefficiencies and redundancies.

## EDP Energias de Portugal, Sucursal en España, Sociedad Anónima

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### ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

#### EXECUTIVE COMMITTEE

Permanent EDP Representative

António Mexia - Presidente

Permanent EDP Representative

Ana Maria Fernandes

Permanent EDP Representative

António Martins da Costa

Permanent EDP Representative

João Manso Neto

Permanent EDP Representative

Nuno Alves

Chairman of the Board, HC Energía

Manuel Menéndez Menéndez

General Corporate - Activities Spain

Miguel Ribeiro Ferreira

1st Line Responsible, HC Energía

Javier Sáenz de Jubera

1st Line Responsible, EDP Renováveis

João Paulo Costeira

1st Line Responsible, NG Energía

Francisco Granjo

#### MANAGEMENT COMMITTEE

General Corporate - Activities Spain

Miguel Ribeiro Ferreira - Presidente

Business Analysis Department

Hugo Gouveia

Legal Department

Emílio Garcia-Conde

Audit Department

Azucena Viñuela

Taxation Spain Department

Ramon Ortea Garcia

Financial Management Department

Nuno Gonçalves

Shared Services Department

Félix Arribas

Information Systems Department

José Salas

#### GENERATION COORDINATION COMMITTEE

João Manso Neto

#### SUPPLY COORDINATION COMMITTEE

Jorge Cruz de Morais

#### GAS COORDINATION COMMITTEE

João Manso Neto

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## 3.6. RISK CONTROL AND MANAGEMENT SYSTEM

### 3.6.1. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

In line with the EDP Group's decision to strengthen and develop its internal control systems in 2009, using the ICOFR model (Internal Control Over Financial Reporting), it implemented all the activities required to extend this system to its business units in new countries and to the organisation overall, as well as transferring responsibility for maintaining and consolidating the information to the business units.

In this regard, EDP surveyed and documented all the cross-sectoral processes and controls identified at EDP Renováveis in all its structures, and updated the processes and controls surveyed in previous cycles.

In the businesses where ICOFR had been implemented in previous years (Portugal, Spain and Brazil), EDP ordered the review and maintenance of existing processes and controls, and any of these affected by significant organisational, structural and/or legislative changes were redesigned.

The new processes and controls resulting from use of ICOFR, and from the opportunities for improvement identified in the first review cycle (in 2008), were also documented and implemented with the assistance of an international consulting firm.

The following initiatives were also put into place:

- Approval and publication of the Internal Control Over Financial Reporting Manual for application in all countries;
- Implementation of the internal control computer support system in Portugal;
- Training of managers in the following areas:
  - Use of the computer system;
  - Theoretical and practical concepts; and
  - Training consolidation through an e-learning course.

According to the plan for the 2010 cycle, the activities to be implemented include, among others:

- Extending the computer application to EDP Renováveis and Energias do Brasil;
- Launching the self-certification process;
- Performing the second review cycle for the internal control system, by conducting the corresponding design and performance tests.

The Group is strongly committed to continuing its wide-ranging and intensive efforts to develop the robustness of their system for internal control over financial reporting; everywhere it conducts its business.

### 3.6.2. RISK MANAGEMENT STRUCTURE

#### 3.6.2.1. RISK MANAGEMENT MANDATE AND

## STRUCTURE

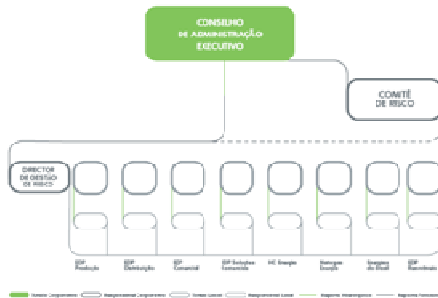
The year 2009 was marked by the financial and economic global crisis. Therefore, the European utilities, although in a lesser extent than the industry in general, felt that impact. In fact, the general reduction in consumption led to situations of incomplete recovery of fixed costs, attenuated by low overall cost of fuel, as well as other operating costs and financial burdens. However, the diversity of business lines of the Group continued to provide a low level of risk, primarily due to: (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, including wind power, and even (iii) the application of appropriate hedging policies fit to promote the mitigation of the financial risks of fuel and price and volume of electricity purchased or placed in the market.

The organization and process of risk management practice in the Group have been receiving the highest rating under the Dow Jones Sustainability Index, a benchmark that pleases and encourages us to continue developing integrated methodologies of R2R - Return to Risk, trying to include them in the normal management of the Business Units and at Corporate Center. This process is based on the following:

- **Identification and prioritization of risks.** The Risk Portal, an instrument developed internally for the consistent collection of information on each relevant risk is used at the EDP Group level. It provides qualitative and, as far as possible, quantitative assessment of the overall impact of a risk, the probability of occurrence and the control level, as well as drawing up priority matrixes for action and control. This tool allows answering the following questions: What are the key risks by business unit? Who is responsible for the management of a certain risk?
- **Risk strategy.** The aim of the risk strategy, for each of the priority risks, is to identify the key measure that can be used to avoid or mitigate it, decide on the transfer of the risk to another entity (insurance, hedging) and define the desired risk-return profile. It answers the questions: What are the risks that EDP profits in managing and which ones should be transferred to other entities? Is the ability to take risk aligned with EDP's strategy?
- **Integrated assessment of risk.** This dimension of risk control seeks to measure, for bottom-up methodology, values at risk of EBITDA, EBIT and Cash Flow of the most important Business Units of the Business Plan time horizon (usually three years). It still applies top-down methodologies in order to, considering the behavior of EDP's share and financial public information, infer similar values at risk and also make comparisons with competitors. It also aims to extrapolate to wider horizons the effects of a change in the composition of the portfolio of businesses. This tool allows answering the following questions: What is the aggregate level of risk actually expected? What is the relative weight of the critical factors? What is the effect of policy changes in hedging or other forms of transfer or mitigate risk? What is the impact of the more important business decisions in the aggregated risk of EDP?
- **Governance and control.** This component of the process of risk management is based on the Corporate Entrepreneurial

Risk Management Policy defined by the Executive Board and on the structure established for this purpose. This tool allows answering the following questions: Are there management and risk control processes? Are they effective?

GOVERNO DA EDP/EDGAGE



The Executive Board of Directors decides on the level of exposure to risk assumed by the EDP Group in its various operations and, notwithstanding the delegation of tasks and responsibilities, defines the overall risk limits and ensures that risk management policies and procedures are followed. This is based on the definition of the Group's appetite for risk, resulting on one hand from its long established business structure and, on the other hand, from criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board. In fact and in practice, the appetite for risk focuses on how the Group:

- Is positioned in relation of its debt rating;
- Aims to grow (with a focus on a policy of organic investment and acquisitions in core assets/disposals of non-core assets);
- Implement a dividends payment policy (and a policy of possible acquisition of treasury stock).

In the organizational structure of the corporate center, the DGR is part of the strategic departments. So, in addition to monitoring activities and methodologies, it develops its own studies and actively participate in a perspective of a business intelligence unit, performing the assessment of important and current subjects of R2R - Return to Risk for the Group. In relation to the activity undertaken in 2009, it should be noted the following:

- Crisis and impacts on EDP: preview, in the beginning of the year, the effect of economic and financial crisis in the consolidated results, due to the expectations of decrease in the growth in consumption and resulting excess in power generation capacity, and taking in consideration factors of economic and financial risk – inflation, interest rates, exchange rates and fuel prices.
- Network Electricity Distribution: review of regulatory risk and Portugal - Spain benchmarking in this area considering the diversity of densities of consumption and the impacts resulting from the stagnation of consumption growth and inflation;

- Energias do Brasil: Analysis of risk with a view to integrated risk assessment, with emphasis on those related to hydro - development of investment in electricity generation and regulatory issues for distribution, as well as for the assessment of alternative hedging strategies between the positions of Trading and Production;
- Risk analysis of EDP Renováveis, trying to establish an integrated assessment and developing of eventual natural hedges, given the positions in dollars of Horizon (and composition of selling in the electricity markets or by PPA's arrangements) and dependence on market prices for electricity in Europe for the wind generation with price dependent on that sale price (indirectly related with the price of Brent and currency exchange  $\text{€} / \text{USD}$ );
- Analysis of structural and cyclical factors of risk, which aims to support the definition of limits for guiding business units, as well as criteria for evaluating alternative hedging (including non-hedging) by comparison: eventual sacrifice of revenue - reductions in economic cost of risk;
- Trends in the Iberian electricity market pricing (MIBEL), separating the natural volatility (daily, weekly and seasonal volatility of consumption and volatility of renewable energy production) from the structural volatility (eventual excess of installed production capacity, price volatility of fuel and CO<sub>2</sub>), in order to evaluate the quality of estimated average prices and annual spreads;
- Hydro and Risk Premium, with weighting for the chance to secure alternative revenue for production of small water obtained from the EDP in the market, not subject to the Costs of Maintenance of Contractual Equilibrium in the face of this situation self-insurance;
- Debt structure, analyzing the contribution of debt to the volatility of earnings before tax of EDP and its optimal structure, given the present maturity of the debt, fixed interest rate - floating rate, currency, and comparison with similar companies, but also the evaluation of criteria of return - risk for those conditions;
- Establishment of methodologies for better managing the credit risk - clients, through collaboration with HC Energia in preparation of the evaluation methodology and history of behavioral targeting customers for incorporation into the Project Smile (business management) and also through temporary secondment of a DGR senior staff member to Naturgas with the task of implementing a foresight process on the behavior of credit in diverse economic sectors and for new customers, but also in setting risk premiums and the possible need to provide collateral or guarantee;
- Analysis of aggregate risk top down and bottom-up simplified methodology compared to competitors, which continued to show a reduced level of risk for the EDP business, which has allowed EDP to use a greater financial leverage, to identical levels of rating;
- Analysis of aggregate risk bottom up to the Business Plan 2009 - 2012, which shows the maintenance of a low risk profile of the Group;

- Contribution to the Focus Group Enterprise Risk Management of Eurelectric either through active participation in development issues, or the constant changes to the subject regulatory risk in the sector. On this subject, advocated the need to stabilize the European regulatory landscape and take measures to support the sector, environmental challenges and the need for stability to achieve the high investments associated with the decarbonization of electricity and the intelligent management of distribution networks, taking into account in particular the addition of distributed generation and the potential for improvement in the rationalization of consumption.

Business Units manage their own risks, within the established criteria and delegations. There is a solution of double reporting of the Risk Officer of each business unit and the Head of Risk Management, ensuring alignment handling practices, reporting and control.

### 3.6.2.2. RISK FACTORS

The main risk factors identified by the EDP Group are structured as follows:



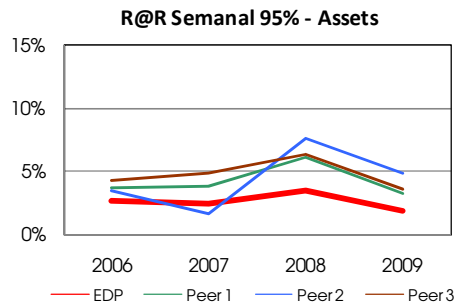
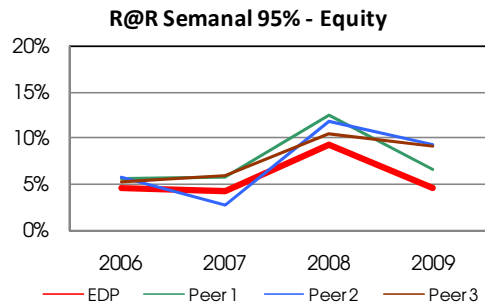
The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

As mentioned above, the effects of international financial crisis led, in general, the devaluation of business because of the systemic risk of the market. However, it is important to register that the EDP's share value has increased more favorably compared to the DJ Euro Stoxx Utilities index, during the year.

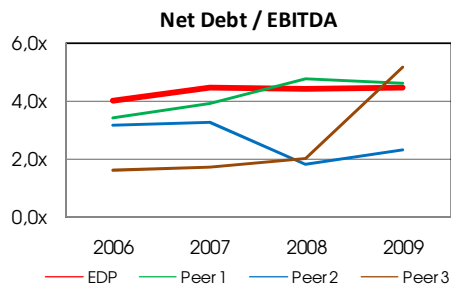
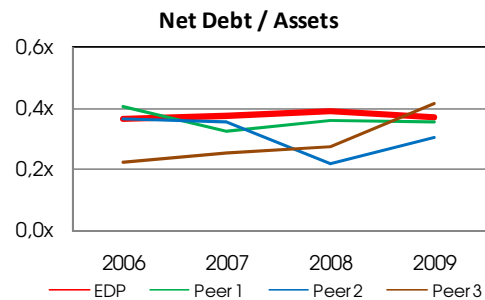
EDP Group has confirmed its low risk profile, given its lower exposure to structural market risk. However, this advantage will tend to reduce in the future, due to the replacement in the short/medium term, of power plants at end of life and protected by the mechanisms of CMEC's, by plants in the liberalized electricity market and also due to the largest natural exposure to foreign exchange risk arising from the growth of business in areas outside the euro.

A top-down assessment of EDP's RaR - Return at Risk in a weekly basis (95% probability of not being exceeded) and also of its assets (here by the ratio Equity / Assets times the RaR of Equity) compared with that of Iberian competitors, confirms that the Group has a

business portfolio with a smaller risk profile, even during the general increase in the critical year 2008.



Moreover, and as the following graphs show, the Group's financial leverage - debt / assets - got a slight reduction and the structural net debt to EBITDA ratio remained at the same level and is expected to reach a value of less than 4 in 2012. The stay in the range of rating A assigned by S&P, level continues to be a goal. It represents a good compromise between the spread in this class on the cost of debt and the benefit from the tax deductibility of financial expenses, within the parameters of expected debt leverage.



### 3.6.2.3. RISK MANAGEMENT THROUGHOUT THE VALUE CHAIN – MIBEL

In addition to the management of risks that transversally affect all business units, management of the aforementioned risk factors within the EDP Group is carried out on the basis of the value chain of the individual activities as follows:

#### **Electricity Production and Energy Management:**

**Electricity price risk:** Revenues from production can be influenced by changes in the price of electricity in wholesale markets. The Group has limited exposure to power plants acting on the free market (except in Spain, Ribatejo and Lares CCGT power plants and small hydro in Portugal) because the majority are subject to the adjustment mechanism of CMEC's - The Cost for the Maintenance of Contractual Equilibrium (plants that had contracts - Power Purchase Agreements - with REN and now act in the market from July 1, 2007). To mention the exposure to market (price of OMEL) of wind production from EDP Renováveis in Spain (and also in the United States). Furthermore, the Group actively seeks to protect the commercial spread, acting in an integrated manner within the Energy Management and Marketing. In MIBEL the UNGE has a mandate to act on the wholesale market; both for optimization of the supply to the spot market of OMEL like to take advantage of the futures market, OMIP, OTC and arbitration in Spain-France interconnection. The risk of market price higher in Portugal than in Spain, as a result of market splitting, after exhaustion of interconnection capacity, and the corresponding need in Portugal for using more expensive power plants, is not relevant to the Group, given that its marketing in the free Portuguese market is not dependent on imports from Spain. The UNGE simulates the behaviour of the system and uses the Iberian MUR - Unified Risk Model (model risk analysis of UNGE to Iberia) program for the periodic calculation of MaR - Margin at Risk.

**Fuel price and CO2 Risk:** This risk is also more present for the power plants in the free market. The UNGE has been entrusted with management of this risk, serving on the purchase of coal and fuel oil and in the operational management of procurement of gas for electricity generation and trading scheme for CO2, but also in establishing solutions for the hedging of fuel prices and the dollar exchange (the latter in coordination with the Financial Department). As far as supplies of gas are concerned, EDP Gás is responsible for negotiating new contracts, but also the management of positions resulting from momentary excess / deficiency between the Group companies and the market or with other players. The MUR is also used in the risk assessment, making use of its capacity for assessing trends in the prices of fuels and CO2.

**Operational risk for power plants and wind farms:** Conventional power plants and wind farms have breakdowns and incidents, which can entail a loss of revenue due to outage or downtime. This risk is mitigated by the application of conduction and maintenance methods and safety procedures of the highest standard. Furthermore, the most important insurable risks are associated with generation, which is covered by insurance, managed by EDP Valor's Insurable Risk Management Office.

**Environmental risk:** Power generation resources are more exposed to this risk due to the use of natural resources and also due to the emissions and waste that thermal power generation produces. The EDP observes a very strict Environmental Policy that seeks to fully comply with the parameters for the licensing of its facilities and introduce additional measures that will minimize possible responsibilities in this area. Also worth noting that an environmental liability insurance has been contracted trying to respond to new demands in this field.

**Credit risk:** In an organized market this is not a significant risk. In OTC market and fuel purchase operations, the UNGE minimizes this risk by applying exposure limits in agreement with the limits approved in line with the counterparty rating (defined by an external agency, or internally, if there is not such external information). Note that the international crisis led to a revision of criteria, since some of the counterparties are linked to international groups with acknowledges difficulties. However, there have been no defaults.

#### **Market supply:**

**Price risk for electricity:** This risk is assumed by the UNGE once defined the volumes of sales to final customers from EDP Commercial and HC Energia, except in situations in which market price - indexed contracts are possible.

**Volume risk:** Either because of weather and economic situation, or as a result of migration of customers between the free and the public service regulated tariff, the amount of energy to sell to final customers has always a degree of uncertainty. In principle, this risk is assumed by supply, as it has to make excess or shortage adjustments with the UNGE at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant fluctuation in the share of free market consumption depending on the attractiveness of the public tariffs, calls for dynamic management of this risk through integrated and regular intervention by the Prices and Volumes Committee set up for that purpose.

**Commercial quality operational risk:** In the free market, the criteria for commercial service quality are the entire responsibility of the Group, which has placed great emphasis on the good management of this risk.

**Credit risk:** This supply-related risk is managed primarily by the contractual criteria that are applied and, secondly, by EDP Soluções Comerciais, the unit entrusted with performing the metering – billing – payment collection cycle (in Spain, HC Energia and Naturgas).

#### **Supply of Last Resort:**

As defined in European legislation, consumers who opt for regulated tariffs are customers of the so-called Supplier of Last Resort.. In Spain this infrastructure has, since the 1st of July, to cover a range of domestic consumers, taking a step in the extinction of the regulated tariffs for final consumption.

**Regulatory risk:** The exercise of this activity is low risk, but the deviations in the estimates made by the Regulator - ERSE for acquisition costs of energy, thus creating a deficit or excess amount, raises concern about the fair remuneration of such volatility

and about the consistency of a hybrid system with systematic arbitration between the regulated tariff of public service and free market. It is hoped that the gradual disappearance of the regulated tariffs for electricity sales to provide, a knowledge of the mechanisms of competitive balance and a longer follow-up to the reality of the evolution of international prices of raw materials necessary for the production of electricity.

**Supply quality operational risk:** Whatever the criteria for supply quality of regulated service business (average response time in providing customer services, the percentage of readings of meters of low voltage, etc.), the Group has placed great emphasis on the management of this risk, also to manage the risk of erosion of the brand once the impacts consequences are not negligible.

**Credit risk:** The management of this risk has been delegated to the EDP Soluções Comerciais and is carried out in accordance with the regulations defined for public service customers (power cuts when bills are not settled within payment deadlines).

#### **Electricity Distribution:**

**Regulatory risk:** The changes of the remuneration criteria may affect the revenue of EDP Distribuição and HC Energia. In addition to the defence of fair valuation of the business, the Group also strives to apply better grid planning, construction, operation and maintenance practices in order to achieve and even surpassing, the efficiency gains implicit in the regulatory objectives.

**Technical service quality and losses operational risk:** In addition to the regulated criteria for technical quality of service (duration and number of service interruptions, service reinstatement times, etc.) and the incentives to reduce physical losses in the grid, the Group has also placed great emphasis on the management of this risk, as the possible consequences in terms of brand erosion risk management and efficient energy management policy are by no means negligible.

**Grid operational risk:** The existence of infrastructures in the public domain (lines, cables, transformer stations, etc.) can exacerbate the impact resulting from failures and incidents. This risk is mitigated through the application of methods of operating, maintenance and safety procedures in line with the highest international standards. However, the end of the year was marked by some power interruptions in Portugal, with relevant impact in the media, as a result of the intense storm that devastated the affected regions, aspects that will be kept in mind in order to search the best solutions to any unexpected event of large dimension. Moreover, the insurable risks are covered by insurance.

**Environmental risk:** Although it is less relevant than in generation, the problem of overhead power lines in terms of their visual impact and bird flight paths is one worth mentioned. Particular attention is given to these questions in the planning and design phase and to additional measures that help to make the infrastructures compatible with birds that use them as resting places or sites for building their nests.

#### **Risk management in other regions and activities**

Although market conditions and regulatory may differ, the principles and methods listed above apply to gas transport, distribution and

supply business units and to Energias do Brasil and EDP Renováveis.

As far as gas is concerned, the strategic partnership with Sonatrach, which is now becoming perceptible with the start into operation of the plants in partnership, introduces a significant contribution to profitable growth with controlled risk, in this sphere of activity, since it provides a significant increase in levels of flexibility and hedging.

The strong growth of the EDP Renováveis, but also the geographic diversity of its investments, clearly confirm the change in power production profile of the Group and compensates, in times of international crisis, a lower growth in other areas due to weakness in consumption growth. It also indicates a strong participation on the U.S.A, which market has a huge potential for growth and reduced country risk, confirming the Group as one of the major players in renewable energy and therefore low risk exposure relating to emissions of greenhouse gases.

#### **Transversal risk management**

**Investment risk:** The investment assessment and decision-making process has established uniform criteria for defining the discount rates to be used in evaluating the expected cash flows and for the modeling of scenarios (which incorporate different sensitivities, such as, price risk, energy volume risk, and regulatory risk). These criteria help to mark out limits in the Group's appetite for risk, with the capital cost of each business unit / region reviewed on a regular basis. The Investment Committees at the business units and corporate level allow the effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investment, monitoring operational risks in these phases and their potential impact on the expected value.

**Financial risk:** The Group's financial risks are mainly managed by the Financial Department, which is responsible for the Group's cash management at Iberian level, the debt portfolio and the risk of interest rate and foreign exchange instruments through financial markets. In Brazil, Energias do Brasil follows, under coordination, similar principles

Liquidity risk received particular attention, given the international crisis experienced. The strong credit profile of EDP, in this difficult environment, was reconfirmed and it was made the bond issues necessary for the usual debt roll over and to finance growth of the Group for a total of two billion euros and one billion dollars. On the other hand, was successfully negotiated a credit line of one thousand and six hundred million euros (revolving credit facility) and also the transfer of rights to tariff adjustments in Portugal for the years 2007, 2008 and 2009, through two transactions, which provided about sixteen hundred million. Consequently, the liquidity risk is mitigated due to the policy of debt management and recruitment of new funding and even the availability of credit lines contracted (firm deals) and not used.

Given the financial management policies followed by the Group, one continues to be observed a low level of market risk and a diversified counterparty risk involving financial institutions with adequate ratings.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the

Pension Fund assets and specific provisions included in the EDP balance sheet. The calculation of these liabilities is conducted annually by an independent Actuary, using assumptions set out in IAS-IFRS, taking into account various aspects including, inter alia, the Fund's performance, demographics, economic variables and the applicable requirements.

**Operational risk:** Included in this group are the potential losses resulting from incidents caused by failures or inadequate procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and ethical standards, operating loss include economic, non-economic effects and loss of reputation).

For the area of Information Technologies, the Information System Department has been consolidating the complete risk management process. In this area there is evidence that criteria have been defined for establishing the necessary redundancies for the DPC – Data Processing Centre), thus continuing and consolidating the Disaster Recovery policy.

The most significant risks that are transferable to the insurance market have to do with industrial facilities. Both for these and for the risk of claims by third parties for material or personal damages and their consequences that may arise from the activities of the Group companies, the Insurable Risk Management Office at EDP Valor has applied the approved Strategic Insurance Plan, which is based on the establishment of joint programs for all Group companies in Portugal and Spain, direct contracting with insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimize insurance costs and improve control thereof.

In terms of legal risks, both in litigation related to operations, or in respect of licensing procedures for new installations, both as regards the necessary tax compliance and accounting, the Group does not expect any adverse impact on relevant.

## 4. SHAREHOLDER STRUCTURE AND EXERCISE OF SHAREHOLDER POSITIONS

### 4.1. CAPITAL STRUCTURE

The EDP share capital of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, 2,936,222,980 of which are Category A shares, these being ordinary shares, and 720,314,735 of which are Category B shares, all with a face value of one euro each. The Category A shares account for 80.30% of the share capital and Category B shares account for 19.70%.

Although there are no limits to the transferability of EDP shares, given that, in accordance with the Securities Code, shares traded in the market are freely transferable, the EDP Articles of Association do contain rules limiting the exercise of voting rights that apply to ordinary (or Category A) shares.

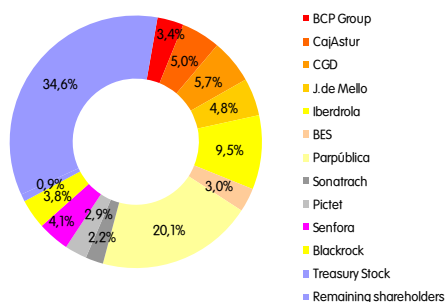
In accordance with the Articles of Association, votes corresponding to Category A shares that are cast by one and the same shareholder on its own behalf or in representation of another shareholder and exceed 5% of the total number of votes corresponding to the share capital shall not be counted.

Category B shares are those to be reprivatized. Their only privilege is that their holders, or those representing them, are not subject to the voting restriction laid down in Article 14.3 of the Articles of Association, in relation to these shares.

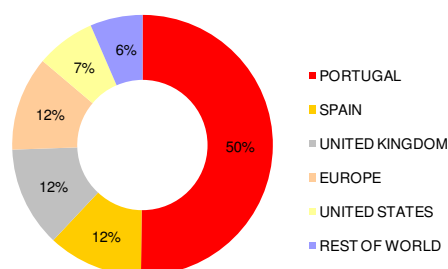
In addition, shareholders who acquire a holding of 5% or more of the voting rights, or of the share capital, must communicate this fact to the Executive Board of Directors within a period of five work days from the date on which said holding becomes effective. They may not exercise voting rights if they have not communicated this fact.

### 4.2. SHAREHOLDER STRUCTURE

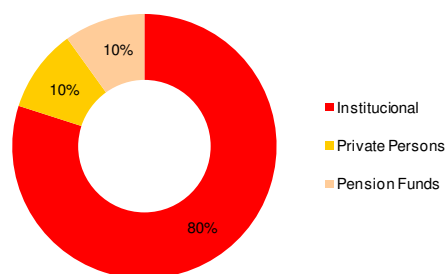
The breakdown of the EDP shareholder structure by region and investor type in 31 December 2009 was as follows:



### Geographic Breakdown of Shareholder Structure



### Breakdown of Shareholder Structure by Investor Type



### 4.3. QUALIFYING HOLDINGS

Pursuant to Article 8.1b of CMVM Regulation no. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in 2009 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

Shareholder	Nº of Shares	% Capital	% Vote
<b>PARPÚBLICA - Participações Públicas (SGPS, S.A.)</b>			
Privatised shares - Category A	29,009,121	0.79%	0.80%
Non-privatised shares - Category B	704,141,551	19.26%	19.44%
Capitálpor - Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.29%
PARPÚBLICA - Participações Públicas, SGPS, S.A.	295,343,816	8.08%	8.15%
<b>Total</b>	<b>733,150,472</b>	<b>20.00%</b>	<b>20.24%</b>
The company Capitálpor - Participações Portuguesas, SGPS, S.A. is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A.			
<b>BERDROLA - Participações, SGPS, SA</b>			
BERDROLA - Participações, SGPS, SA	347,371,083	9.50%	5.00%
<b>GROUP CAIXA GERAL DE DEPÓSITOS</b>			
Privatised shares - Category A	190,774,887	5.22%	5.00%
Caixa Geral de Depósitos	186,443,384	5.10%	-
Pension Fund of CGD	1,323,006	0.04%	-
Companhia de Seguros Fidelidade Mundial, S.A.	2,804,885	0.08%	-
Império Bonança - Companhia de Seguros, S.A.	179,439	0.00%	-
Via Directa - Companhia de Seguros, S.A.	13,490	0.00%	-
Multicare - Seguros de Saúde, S.A.	10,483	0.00%	-
Non-privatised shares - Category B	16,318,184	0.45%	0.45%
Parcaixa, SGPS, S.A.	16,318,184	0.45%	0.45%
<b>Total</b>	<b>207,093,071</b>	<b>5.64%</b>	<b>5.45%</b>
CGD holds 100% of share capital and voting rights of Caixa Seguros, SGPS, S.A. which, in turn, holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade Mundial, S.A. which, in turn, holds 100% of the share capital and voting rights of Via Directa - Companhia de Seguros, S.A., ii) 70% of the share capital and voting rights of Império Bonança, SGPS, S.A. which, in turn, holds 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A.; iii) 100% of the share capital and voting rights of Multicare - Seguros de Saúde, S.A.; iv) 51% of the share capital and voting rights of Parcaixa, SGPS, S.A.			
<b>CAJA DE AHORROS DE ASTURIAS (CajAstur)</b>			
Contribuição de Inversões de CajAstur	129,409,447	3.51%	-
Caja de Ahorros de Asturias (CajAstur)	54,848,066	1.50%	-
<b>Total</b>	<b>183,257,513</b>	<b>5.01%</b>	<b>5.00%</b>
The company Cantabrica de Inversões de Cartera, S.L. is fully owned by Caja de Ahorros de Asturias (CajAstur)			
<b>JOSE DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.</b>			
José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.87%
Management and supervisory bodies	17,443	0.00%	0.00%
<b>Total</b>	<b>176,300,969</b>	<b>4.82%</b>	<b>4.87%</b>
The company José de Mello Energia, SGPS, S.A. is fully owned by José de Mello Participações II, SGPS, S.A., which capital is fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.			
<b>INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)</b>			
Sentora SARL	148,431,999	4.06%	4.10%
The company Sentora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.			
<b>BlackRock, Inc.</b>			
BlackRock Institutional Trust Company, N.A.	57,204,205	1.56%	1.58%
BlackRock Asset Management Limited / Blackrock Advisors UK Ltd.	36,180,065	0.99%	1.00%
BlackRock Investment Management (LUX)	16,300,000	0.45%	0.45%
BlackRock Fund Advisors	10,272,330	0.28%	0.29%
BlackRock Asset Management Japan Limited	9,005,713	0.25%	0.25%
BlackRock Investment Management (UK) Limited	2,681,060	0.07%	0.07%
BlackRock Fund Managers Ltd	2,389,360	0.07%	0.07%
BlackRock Investment Management, LLC	2,158,147	0.06%	0.06%
BlackRock Japan Co. Ltd.	1,494,978	0.04%	0.04%
BlackRock (Netherlands) B.V.	1,439,485	0.04%	0.04%
BlackRock Asset Management Canada Limited	759,019	0.02%	0.02%
<b>Total</b>	<b>139,884,362</b>	<b>3.83%</b>	<b>3.86%</b>
All the companies mentioned above are controlled by BlackRock, Inc.			
<b>Group Millennium BCP + PENSION FUND</b>			
Corporate Bodies	28,380	-	0.00%
Foundation Millennium BCP	350,000	0.01%	0.01%
Banco Comercial Português, S.A.	337,551	0.01%	0.01%
Pension Fund of Group Millennium BCP	122,289,594	3.34%	3.38%
Pension Fund of Millennium CD	47,000	0.00%	0.00%
<b>Total</b>	<b>123,052,525</b>	<b>3.36%</b>	<b>3.40%</b>
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.			
<b>BANCO ESPÍRITO SANTO, S.A.</b>			
Company's 1/3 in group relationship with BES or exercising control over the company	111,000,000	3.04%	3.06%
Members of the Corporate Bodies	13,214	-	0.00%
<b>Total</b>	<b>111,013,214</b>	<b>3.04%</b>	<b>3.06%</b>
<b>PICITET ASSET MANAGEMENT</b>			
Pictet Asset Management	104,396,422	2.86%	2.88%
<b>SONATRACH</b>			
Sonatrach	81,713,076	2.23%	2.26%
<b>EDP (Treasury Stock)</b>			
EDP (Treasury Stock)	34,212,975	0.94%	-
<b>RESTANTES ACCIONISTAS</b>			
RESTANTES ACCIONISTAS	1,266,659,834	34.64%	-
<b>TOTAL</b>	<b>3,456,537,715</b>	<b>100.00%</b>	<b>-</b>

Note: In accordance with the mode use, article 3 of the 3<sup>rd</sup> of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder in prior vote or in conversation of another one, that 25% of the liability of the corresponding votes to the capital stock emitted

The percentage of voting rights was calculated based on 34,212,975 voting rights.

In compliance with the understanding reported by OMM to Sonatrach in relation to the effects of a shareholder agreement entered into with Parpública - Participações Públicas, SGPS, S.A. and Caixa Geral de Depósitos, the voting rights corresponding to the stock held by these two shareholders have been assigned to Sonatrach since 11 April 2007 pursuant to Article 20.1 of the Securities Code.

#### 4.4. HOLDERS OF SPECIAL RIGHTS

Pursuant to Article 4.3 and 4.4 of EDP's Articles of Association, Category B shares are the shares to be reprivatised. Holders of these shares or their representatives are not subject to the voting restrictions stipulated for Category A shares, i.e. the fact that votes corresponding to Category A shares cast by a shareholder on its own behalf or in representation of another shareholder that exceed 5% (five per cent) of the total votes corresponding to the share capital shall not be counted (in keeping with Article 20.1 of the Securities Code).

The shares in reprivatisation are Category B shares as long as they are held by public entities. Their transfer to non-public entities determines their respective conversion to Category A shares. This conversion does not require the approval of the respective holders or a decision by any EDP corporate body.

#### 4.5. RESTRICTIONS TO SHARE TRANSFERABILITY

As laid down in the Articles of Association (Article 5.3), Category B shares can only be held by public entities as long as they are not the object of privatisation.

There are no restrictions on the transferability of Category A shares.

#### 4.6. SHAREHOLDER AGREEMENTS

In accordance with Article 7 of the EDP Articles of Association, full information of shareholders agreements relating to the company must be forwarded to the Executive Board of Directors and the General and Supervisory Board by the shareholders that sign them within 30 (thirty) days after the date on which they were entered into.

On the basis of the information provided to the Company by shareholders, the Executive Board of Directors has knowledge of one single shareholders agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. ("Parpública"), Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach").

Under the aforementioned Shareholders Agreement, which was the object of public disclosure, Parpública and CGD took on the following obligations:

- To support the permanence of Sonatrach (or the person appointed by it) as a member of the EDP General and Supervisory Board, provided that Sonatrach retains a holding of at least 2% of the EDP share capital and the aforementioned strategic partnership remains in effect; and
- To abstain from promoting, supporting and/or voting favourably on any amendment to the EDP Articles of Association that would prevent the permanence of Sonatrach (or the person appointed by it) on the General and Supervisory Board.

#### 4.7. GENERAL MEETING OF SHAREHOLDERS AND PARTICIPATION IN THE GENERAL MEETING

Meetings of the General Meeting of Shareholders must be convened at least 30 (thirty) days in advance of the respective date with specific reference to the items on the agenda. Only shareholders with voting rights may attend the meetings, as well as other persons whose presence is considered justified by the Chairman of the Board of the General Meeting.

In accordance with Article 11.10 of the EDP Articles of Association, EDP shareholders can only attend the General Meeting of Shareholders if they have held shares for at least five working days before the date of the respective meeting and maintain that quality until the date of the meeting.

Proof of ownership of shares is provided by forwarding to the Chairman of the Board of the General Meeting, at least five working days prior to the date of the respective General Meeting, a declaration issued and authenticated by the financial intermediary entrusted with the account registration of the shares.

The declaration of the aforementioned financial intermediary must state that the shares in question were registered in the respective account at least five working days in advance of the date of the respective General Meeting and that the blockage of the shares in the account until the date of the General Meeting has been effected.

In the event of suspension of a General Meeting, EDP adopts Recommendation 1.2.2 of the Corporate Governance Code. Accordingly, for clarification purposes, express reference to application of the aforementioned recommendation shall be made on the notice for the General Meeting.

Shareholders may be represented by persons with full legal capacity. This must be communicated to the Chairman of the Board of the General Meeting by 5.00 p.m. on the second last day prior to the date of the General Meeting at the latest.

#### **4.8. VOTES AND EXERCISING OF VOTING RIGHTS**

Pursuant to Article 14.2 of the EDP Articles of Association, and in accordance with Recommendation 1.3.3 of the Corporate Governance Code, one share equals one vote.

Votes belonging to Category A shares cast by one shareholder on its own behalf or in representation of another shareholder that exceed 5% of the total votes corresponding to the share capital shall not be counted. This restriction applies in all matters voted on, including those for which the law or EDP's Articles of Association require a qualified majority of the company capital.

Pursuant to Article 14.4 of the EDP Articles of Association, the votes corresponding to Category A shares shall be treated as cast by the same shareholder whenever so considered under the terms of Article 20.1 of the Securities Code, or any legal provision that amends or replaces it.

The EDP shareholders are obliged to provide to the Executive Board of Directors – in writing and in a complete, objective, clear and truthful fashion, and in a form that is satisfactory to the Board – all information that the latter requests on matters relating to them and related with Article 20.1 of the Securities Code. Failure to comply with this duty shall result in prevention of the exercise of voting rights for the shares held by the defaulting shareholder.

In the event that the same limitation of the counting of votes affects more than several shareholders, the restriction shall apply in proportion to the number of ordinary shares held by each such shareholders.

Article 15.1 of the EDP Articles of Association sets out that shareholders who, under the aforementioned Article 20.1 of the Securities Code or a legal provision that amends or replaces it, become holders of, or have allocated to them, a share equal to or higher than 5% (five per cent) of the voting rights or the share capital, must inform the Executive Board of Directors of that fact within a period of five working days following the date on which said ownership is effective. They cannot exercise the respective voting rights if they have not made this communication.

EDP has adopted measures aimed at encouraging the exercise of voting rights by the shareholders, namely through the elimination of

financial obstacles that may affect the exercise of voting rights. These measures include:

- General dissemination of the notice of the General Meeting, with express reference to the means available for voting, namely through regular publications and the forwarding of mailings to the shareholders;
- Payment of the costs involved in procuring share ownership and blockage declarations for all shareholders that take part in the General meeting (directly or through distance voting);
- Payment of the costs involved in postal voting, including the means for mailing the vote.

#### **4.9. POSTAL VOTING/ELECTRONIC VOTING**

EDP shareholders can exercise their postal voting rights on each of the items on the agenda in a letter bearing a signature identical to that on their identity card addressed to the Chairman of the Board of the General Meeting and forwarded by registered mail with recorded delivery to the company's head office. The letter must be delivered at least 3 (three) working days in advance of the date of the respective General Meeting, unless a longer period is referenced on the notice for the meeting, and must also include a legible photocopy of the identity card of the signatory of the letter.

The Chairman of the Board of the General Meeting is responsible for verifying the authenticity and legality of postal votes, in addition to ensuring they remain confidential until the actual vote is taken. Postal votes on motions submitted after the date on which these votes were cast will count as negative votes. Shareholders can find a draft form for postal voting on the EDP website ([www.edp.pt](http://www.edp.pt)).

Pursuant to Article 14.7 of the EDP Articles of Association, voting rights can be exercised by electronic means, in accordance with requirements that assure their authenticity, which are to be defined by the Chairman of the Board of the General Meeting in the notice for the respective General Meeting.

#### **4.10. QUORUM AND DECISIONS**

Decisions of the General Meeting shall be reached by a majority of votes cast, unless there is legal or statutory provision requiring a qualified majority.

The EDP Articles of Association do not define any constitutive quorum for the General Meeting (adopting the rule in the Companies Code).

On what concerns the deliberative quorum, the rule adopted in the EDP Articles of Association is that the General Meeting can reach decisions at the first or second convening of the meeting, irrespective of the number of shareholders attending or represented, including decisions on the amendments to the Articles of Association, mergers, demergers or transformation of the company (this means that, with respect to the aforementioned matters, the quorum is lower than that provided for in the law, i.e. the need for shareholders holding at least the shares corresponding to one third of the share capital to be present or to be represented).

In all other cases, the deliberative quorum laid down in the law, namely in Article 383.2 of the Companies Code, applies.

#### 4.11. MINUTES AND INFORMATION ON DECISIONS

EDP provides extracts from the minutes of its General Meetings, in Portuguese and English, as well as the respective notices, agenda, motions submitted and forms of participation for consultation on its website ([www.edp.pt](http://www.edp.pt)) within 5 (five) days after a meeting.

EDP considers that the information that is materially relevant for investors does not include the whole content of the minutes of meetings. Full provision of the minutes would, indeed, be susceptible to be used for purposes that are not related to the interests of the company, its shareholders, investors and the market in general. Accordingly, EDP publishes on its website an extract of the minutes of General Meetings containing all relevant information relating to the constitution of the General Meeting and decisions taken, including motions submitted and any voting declarations made.

The website provides information to the EDP shareholders on the following: i) the requirements for participation in the General Meeting; ii) exercising postal voting rights; and iii) the information available at the company head office.

Additionally, EDP clarifies its shareholders on the forms of participation in the General Meeting through provision of draft versions of the letter of representation, voting ballot and the instructions for voting by electronic mail.

EDP shareholders can consult all this information on the website, as well as the historic records containing information on the Annual and Extraordinary General Meetings since 2005, which are also available for consultation.

The historic records do not include the attendance lists at the General Meetings, given the personal nature of the data involved.

#### 4.12. MEASURES ON CONTROL AND CHANGES IN CONTROL OF THE COMPANY

EDP has not adopted any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk.

Although the EDP Articles of Association establish a restriction on the exercise of voting rights for Category A shares, according to which the votes for Category A shares cast by one shareholder (pursuant to the terms of allocation of voting rights established in Article 20.1 of the Securities Code) that exceed 5% of the total votes corresponding to the share capital shall not be counted, this restriction is not a measure adopted with a view to preventing the success of takeover bids.

Indeed, the fact that the restriction of voting rights is incapable of preventing a successful takeover bid is a result of the current EDP capital structure and the relative weight of the Category A shares in that capital, as well as of the requirement of a deliberative quorum of two-thirds of the votes cast established in the EDP Articles of Association for amendments to the by-laws being in accordance with the provisions of Article 182-A.2 of the Securities Code.

Defensive measures with the aim, or that have the consequence, of causing grave erosion of the EDP assets in the case of transition of

control of the company or a change in the composition of the Executive Board of Directors, thus impairing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors, have also not been adopted.

To the knowledge of the Executive Board of Directors, EDP is not party to important agreements that enter into force, are altered or terminated in the event of a change in control of the company following a takeover bid (with the exception of the normal practice in matters of debt issue). Nor is it party to agreements with holders of office on the management body or directors, in the understanding of Article 248-B.3 of the Securities Code, that provide for compensations in the event of dismissal, dismissal without just cause or the termination of work contracts following a successful takeover bid.

## 5. REMUNERATION

### 5.1. REMUNERATION OF CORPORATE BODIES

Pursuant to the Articles of Association, payments to the members of the corporate bodies are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

In keeping with the interests that Recommendation II.1.5.2 of the CMVM Corporate Governance Code for Listed Companies seeks to protect, in fixing the remuneration to be paid to the members of the General and Supervisory Board and the Statutory Auditor, the Remuneration Committee of the General Meeting takes into consideration their fixed nature as well as the mandatory rules on determination of the remuneration, in particular the provisions of Article 440(2) of the Companies Code, which defines the criteria for payment of the General and Supervisory Board; Article 374-A of the Companies Code on the remuneration of members of the Board of the General Meeting, and Article. 60 of Decree-Law no. 224/2008 of 20 November on the remuneration of the Statutory Auditor.

The total gross amounts paid to members of the EDP corporate bodies in 2009 were 19,266,254.61 euros.

### 5.2. REMUNERATION OF THE BOARD OF THE GENERAL MEETING

The Chairman of the Board of the General Meeting receives no remuneration in that capacity, given that the Chairman is a member of the General and Supervisory Board and is remunerated for that office.

The Vice-Chairman of the Board of the General Meeting is paid by means of attendance fees. The attendance fee of EUR 1,000.00 for his presence at the General Meeting held on 15 April 2009 was paid in 2009.

### 5.3. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The remuneration policy for the members of the Executive Board is defined by the Remuneration Committee appointed by the General and Supervisory Board. The committee has defined the payment to be made to the members of the Executive Board of Directors to reflect the performance of each board member in each year of term of office (annual variable remuneration), as well as performance for the duration of the term of office through the fixation of a variable component that is consistent with maximisation of the long-term performance of the Company (multi-annual variable remuneration).

The Remuneration Committee of the General and Supervisory Board submitted a declaration on the remuneration policy to the General Meeting of 12 April 2007, that was applicable during the term of office corresponding to the previous three-year period (2006-2008) and lasted until the date of re-election of the Executive Board of the General Meeting held on 15 April 2009. According to the

declaration, presented again in the General Meeting of April 15, 2009, the remuneration policy in question contains the following terms:

- Fixed Remuneration – for the Chairman of the Executive Board of Directors remuneration is fixed at EUR 600,000.00 (gross) per annum; the remaining members of the Executive Board of Directors receive 80% of that sum;
- Annual Variable Remuneration – for each of the Executive Board of Directors members, its value can range between 0% and 100% of the annual gross fixed remuneration; the respective amount is determined on the basis of the following indicators for each year of office: relative performance of Total Shareholder Return of the EDP Group vs. Eurostoxx Utilities and PSI-20, the real capacity for creation of shareholder value, Gross Margin growth, Net Profit growth and EBITDA growth;
- Multi-annual Variable Remuneration – likewise, for each of the Executive Board of Directors members this component can be between 0% and 100% of the annual gross remuneration, depending on the annual accumulated assessment of the performance of the directors in achieving the economic sustainability of the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the set strategic objectives have been achieved; these will be assessed on the basis of the performance and comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors: relative performance of the EDP Group's EBITDA vs. Eurostoxx Utilities and PSI-20 in the term of office; the EDP Group's capacity for creation of value in the term of office; relative performance of the Group's stock market capitalisation vs. Eurostoxx Utilities and PSI-20 in the term of office; performance of the sustainability index applied to the EDP Group (DJSI method); EDP Group's image in the national and international markets; capacity for change and adaptation to new market demands; and compliance with strategic goals set for the EDP Group.

The time frame taken into consideration for determining the value of the multi-annual variable remuneration component (3 years), the use of medium-term strategy oriented qualitative criteria in the company development, the existence of caps for the variable remuneration and the relative weight of that component in the overall payment are decisive elements in fostering performance in the company management that is not concentrated on short-term objectives alone, but includes the medium and long-term interests of the company and the shareholders in its performance.

In compliance with Law 28/2009 of 19 June, the Remuneration Committee shall submit to the next General Meeting a statement on the remuneration policy for the term of office corresponding to the three-year period 2009/2011.

As regards the remuneration of members of the Executive Board of Directors for the office term corresponding to the three-year period 2009/2011, the Remuneration Committee of the General and

Supervisory Board decided on September 21, 2009, to maintain the same level of fixed remuneration that was in force the previous year.

The table below shows the gross remuneration amounts paid to each of the members of the Executive Board of Directors during the year 2009:

Euros	Fixed	Remuneration paid by other companies majority held by EDP	Variable			
			Annual	Multi-annual		
				2006	2007	2008
António Luís Guerra Nunes Mexia (Presidente)	703.448,20		600.000,00	600.000,00	600.000,00	600.000,00
Ana Maria Machado Fernandes	315.901,43	246.857,13	451.200,00	480.000,00	480.000,00	480.000,00
António Fernando Melo Martins da Costa	553.846,02	159.691,47	389.760,00	428.307,67	428.307,67	428.307,67
António Manuel Barreto Pita de Abreu	546.206,78	258.651,08	360.960,00	384.000,00	384.000,00	384.000,00
João Manuel Manso Neto	562.758,56		451.200,00	480.000,00	480.000,00	480.000,00
Jorge Manuel Pragana da Cruz Morais	562.758,56		436.800,00	480.000,00	480.000,00	480.000,00
Nuno Maria Pestana de Almeida Alves	527.999,92		480.000,00	480.000,00	480.000,00	480.000,00

Note: Payments to the Chairman and members of the Executive Board include those relating to employee pension savings schemes. The amount of variable payments were based on the tax treatment of the country in which the Administrator had residence for tax.

The pension savings scheme for the members of the Executive Board of Directors serves as a complement to the retirement pension and corresponds to 10% of the annual remuneration.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

#### 5.4. REMUNERATION OF THE MEMBERS OF GENERAL AND SUPERVISORY BOARD

Remuneration of the members of the General and Supervisory Board is fixed, taking into account the tasks performed.

The remuneration of the Chairman of the General and Supervisory Board was fixed taking specifically into account that it is a full-time position.

The following table shows the remuneration received by members of the General and Supervisory Board in 2009:

Euros	Fixed
António de Almeida (Presidente)	638.965,46
Alberto João Coraceiro de Castro	60.000,00
António Sarmento Gomes Mota	46.222,25
Caja de Ahorros de Asturias (CajAstur)	50.000,04
Carlos Jorge Ramalho Santos Ferreira	50.000,04
Diogo Campos Barradas de Lacerda Machado	54.999,96
Eduardo de Almeida Catroga	54.999,96
Fernando Manuel Barbosa Faria de Oliveira (1)	0,00
José Manuel dos Santos Fernandes	39.111,08
José Maria Espírito Santo Silva Ricciardi	39.111,08
Khalifa Adbulla Khamis Al Romaithi	53.555,54
Manuel Fernando de Macedo Alves Monteiro	65.000,04
Mohamed Meziane	50.000,04
Ricardo José Minotti da Cruz Filipe	39.111,08
Rui Eduardo Ferreira Rodrigues Pena	60.000,00
Vasco Maria Guimaraes José de Mello	54.999,96
Vitor Fernando da Conceição Gonçalves	84.999,96

Note: Remuneration to the Chairman of the General and Supervisory Board includes payments relating to pension savings schemes

(1) Declined payment

During the year 2009, former members of the General Council and Supervisory Board received payment of remuneration as follows:

Euros	Fixed
António Francisco Barroso de Sousa Gomes	18.777,79
Vital Martins Moreira	9.905,91
Vitor Domingos Seabra Franco	11.532,27

#### 5.5. REMUNERATION OF MANAGERIAL STAFF

The remuneration of the other company managers, as defined in Article 248-B of the Securities Code, with the exception of the members of the corporate bodies, follows the scheme applicable to the workforce in general. This remuneration is made up of a fixed monthly amount plus a possible annual bonus based on corporate and individual performance, in accordance with previously defined criteria, namely the achievement of set profitability targets, absenteeism and equity.

#### 5.6. AGREEMENTS REGARDING TERMINATION OF MANAGEMENT OR EMPLOYMENT CONTRACTS

There are no agreements between the company and holders of office on the governing or supervisory bodies or workers that provide for compensation in the event of resignation or dismissal of the former or the resignation of a worker, dismissal without just cause or the termination of work contracts following a successful takeover of the company.

#### 5.7. STOCK OPTION / STOCK PURCHASE OPTIONS PLANS

The only stock options stock purchase options plan currently in force is as follows.

##### 5.7.1. APPLICABLE TO THE MANAGEMENT BODY IN THE 2003/2005 PERIOD

For the variable remuneration for the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee in the three-year period of 2003 to 2005 the Remuneration Committee in office during that

period provided for the stock option plans in accordance with the qualitative and quantitative assessment for each business year. In accordance with the plans, each stock purchase option can be exercised up to a maximum of 1/3 on each of the anniversaries from the date of allocation of the option plan onwards. Options not exercised become null and void at the end of eight years from the date of allocation.

In 2009 a total of 105,088 options were exercised, as shown in the following table, which also details the total number of stock options allocated in the 2003 – 2005 period.

Date of option	Nº of Benef.	N.º of Options	Option Price	Date of Commencement	Date of expiry	Nº of Options Exercised	
						In 2009	Total
30-Abr-04	6	760.482	2,29	30-Abr-05	29-Abr-12	0	722.206
30-Jun-05	6	932.328	2,21	30-Jun-06	29-Jun-13	0	641.666
02-Mai-06	6	1.461.497	2,21	02-Mai-07	01-Mai-14	105.088	778.038

## 5.8. REMUNERATION OF THE AUDITOR

KPMG has been entrusted with the independent external auditing of all EDP Group companies in Portugal, Spain, Brazil, the USA and other countries in which the Group presently operates.

In 2009 the recognised specialised costs for fees to KPMG for auditing services and statutory auditing, guarantee and reliability services, taxation consultancy and other services beyond legal revision of the accounts for Portugal, Spain, Brazil, the USA and other countries were as follows:

Type of Services	Portugal	Spain	Brazil	United States of America	Other Countries	Total
Audit and Statutory Audit of Accounts	2.445.600 <sup>(1)</sup>	1.601.575	981.510	694.403	363.249	6.086.337
Assurance and Reliability Services	866.168	178.660	220.969	202.178	13.900	1.481.875
<b>Sub - Total</b>	<b>3.311.768</b>	<b>1.780.235</b>	<b>1.202.479</b>	<b>896.581</b>	<b>377.149</b>	<b>7.568.212</b>
Tax Consultancy Service	635.980	337.091	-	665.765	6.000	1.644.836
Other Services unrelated to Statutory Auditing	73.467	946.595	29.777	-	-	1.049.839
<b>Sub - Total</b>	<b>709.447</b>	<b>1.283.686</b>	<b>29.777</b>	<b>665.765</b>	<b>6.000</b>	<b>2.694.675</b>
<b>Total</b>	<b>4.021.215</b>	<b>3.063.921</b>	<b>1.232.256</b>	<b>1.562.346</b>	<b>383.149</b>	<b>10.262.887</b>

(1) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

Note: On 17 September 2009, by joint decision of the President of the General and Supervisory Board and the Committee on financial matters, was granted a special permit to the Executive Board of Directors to hire to KPMG assurance and reliability services, tax consultancy service and other services unrelated to statutory auditing, beyond the limit 30% of the fees payable for the performance of the Audit and Statutory Audit of Accounts, taking into account the specific reasons for the employment of such services and its relationship with audit services, as well as the exceptional and non-recurrence.

The auditing services and statutory auditing are services required in order to issue opinions on the individual and consolidated financial statements of the parent company and its subsidiaries in Portugal and abroad. These amounts do not include services provided to associated companies or jointly controlled entities.

Given the scope of the services provided by auditing companies, EDP has adopted measures specifically aimed at safeguarding the independence of the statutory auditor.

Indeed, on 29 January 2009, the General and Supervisory Board approved a regulation concerning the procurement of "non-audit" services to the Statutory Auditor and to the independent external auditor of the EDP Group.

This regulation establishes the permitted scope of "non-audit" services to be eventually provided by an independent external auditor, from which are excluded, in particular, accounting services, development of financial information systems, evaluation as well as legal services, management of human resources and actuarial matters. These services may not be provided by the statutory auditor or by the independent external auditor.

Moreover, the regulation provides that the provision of "non-audit" services by the statutory auditor or by an independent external auditor to the EDP Group is subject to prior joint approval by the Chairman of the General and Supervisory Board and the Committee on Financial Matters/Audit Committee. However, the cost may not exceed 30% of contracted fees for the respective services of

statutory audit and external audit, except in exceptional circumstances and upon joint prior approval of the Chairman of General Supervisory Board and the Committee on Financial Matters/Audit Committee.

Finally, EDP created a mechanism for quarterly reporting to the Committee on Financial Matters /Audit Committee for services contracted by companies of the EDP to the statutory auditor and to the independent external auditor.

## 6. THE EDP SHARE AND DIVIDEND POLICY

### 6.1. EDP IN THE CAPITAL MARKETS

The shares representing the EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon (which, at the time, operated under the name Lisbon Stock Exchange) on 16 June 1997. Since then, by means of subsequent privatisation phases, more company shares have been admitted to trading in the NYSE Euronext Lisbon market:

#### Phases of EDP's Admission to Trading

Admission phase	Date
1 <sup>st</sup> Privatisation phase/ IPO	16 June 1997
2 <sup>nd</sup> Privatisation phase	26 May 1998
3 <sup>rd</sup> Privatisation phase	28 June 1998
4 <sup>th</sup> Privatisation phase	23 October 2000
5 <sup>th</sup> Privatisation phase/Capital increase	7 December 2004
6 <sup>th</sup> Privatisation phase	27 December 2005
7 <sup>th</sup> Reprivatisation Phase	13 December 2007

EDP has 2,936,222,980 ordinary shares, with a face value of EUR 1.00 and representing 80.30% of the share capital, admitted to trading in the NYSE Euronext Lisbon market. The free float in 2009 was 60 per cent.

#### EDP - Energias de Portugal S.A. Shares

NYSE Euronext Lisbon	Shares
Reuters RIC	E DP .LS
Bloomberg	E DP .PL
IS IN	P TE DP0AM0009

The EDP shares are also the underlying assets for futures contracts and warrants negotiated in the Lisbon market.

The following EDP bond loans are also listed on stock markets to trading:

Issue / ISIN	Date		Coupon	Stock Exchange	Amount	
	Issue	Maturity			Issue	Outstanding
1 <sup>st</sup> Issue EMTN <sup>1)</sup> XS0256997932	12-06-2006	14-06-2010	Quarterly Euribor 3m + 15.0bp	London	500.000.000	500.000.000
2 <sup>nd</sup> Issue EMTN (I) XS0126990779	28-03-2001	28-03-2011	Annual fixed rate EUR 5,875%	London, Frankfurt	1.000.000.000	747.352.000
12 <sup>th</sup> Issue EMTN (I) XS0256996538	12-06-2006	12-06-2012	Annual fixed rate EUR 4,25%	London	500.000.000	500.000.000
1 <sup>st</sup> Issue 144A/REGIS US268339A404	02-11-2007	02-11-2012	Annual fixed rate USD 5,375%	London	1.000.000.000 <sup>2)</sup>	1.000.000.000 <sup>3)</sup>
15 <sup>th</sup> Issue XS0413462721	18-02-2009	18-02-2014	Annual fixed rate EUR 5,5%	London	1.000.000.000	1.000.000.000
9 <sup>th</sup> Issue EMTN (I) XS0221295628	22-06-2005	22-06-2015	Annual fixed rate EUR 3,75%	London	500.000.000	500.000.000
13 <sup>th</sup> Issue EMTN (I) XS0256997007	12-06-2006	13-06-2016	Annual fixed rate EUR 4,625%	London	500.000.000	500.000.000
16 <sup>th</sup> Issue XS0435879605	25-06-2009	26-09-2016	Annual fixed rate EUR 4,75%	London	1.000.000.000	1.000.000.000
6 <sup>th</sup> Issue EMTN (I) XS0152784715	09-08-2002	09-08-2017	Annual fixed rate GBP 6,625%	London	200.000.000 <sup>4)</sup>	200.000.000 <sup>5)</sup>
2 <sup>nd</sup> Issue 144A/REGIS US268339A867	02-11-2007	02-02-2018	Annual fixed rate USD 6,00%	London	1.000.000.000 <sup>2)</sup>	1.000.000.000 <sup>3)</sup>
3 <sup>rd</sup> Issue 144A/REGIS XS0454933395	29-09-2009	01-10-2019	Half-yearly fixed rate USD 4,9%	London	1.000.000.000 <sup>2)</sup>	1.000.000.000 <sup>3)</sup>
10 <sup>th</sup> Issue EMTN (I) XS0223447227	29-06-2005	29-06-2020	Annual fixed rate EUR 4,125%	London	300.000.000	300.000.000
14 <sup>th</sup> Issue EMTN (I) XS0397015537	04-11-2008	04-01-2024	Annual fixed rate GBP 8,625%	London	325.000.000 <sup>2)</sup>	325.000.000 <sup>3)</sup>

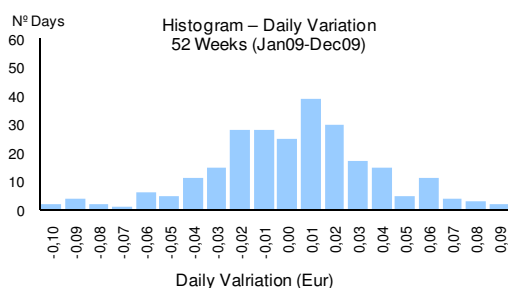
<sup>1)</sup> EMTN - Euro Medium Term Notes  
<sup>2)</sup> Outstanding - Amount owed as at 31 Dec 2009  
<sup>3)</sup> Amount in GBP  
<sup>4)</sup> Amount in USD

In 2009, EDP was the company with the greatest stock market capitalisation and presented a relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 12.5% of said index. EDP is one of the seven Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.702%. EDP shares are also a reference in several European indices, such as the Dow Jones Eurostoxx Utilities, which is based on the stock market performance of the leading and most representative European utilities companies. EDP is also the only Portuguese company in this sustainability index of the Dow Jones (Dow Jones Sustainability Index), which succeeded in 2009 for the second consecutive year.

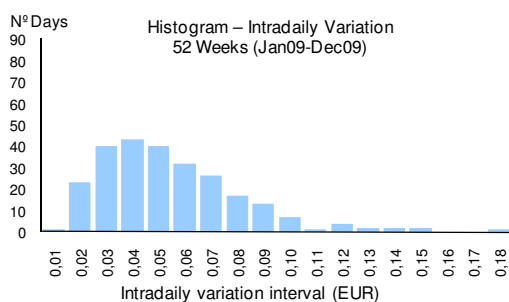
In 2008, EDP shares increase 15% of their value, dropping from EUR 2.695 to EUR 3.108. This increase in value together with the gross dividend of EUR 0.14 per share (paid on 14 May 2009) resulted in a total positive gross return of 20.5% in the reference period. This performance was above the returns provided by the leading benchmark indices, in particular the Dow Jones Europe STOXX Utilities index, which had a positive performance of a mere 1% in the same period, and below the PSI-20 index, which rose 33% in value in 2009.

The market value of the EDP Group, based on its stock market capitalisation (no. of shares issued x price per share), amounted in 2009 to EUR 11.365 billion, the equivalent of 16.5% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 68.877 billion. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2009. In this official stock market, approximately 1.722 billion EDP shares were traded, which corresponds to a daily average of 6.7 million shares at an average price of EUR 2.855 and to approximately 59% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 2.9% (EUR 4.970 billion) of the overall volume of shares traded in the Lisbon regulated market (a total of EUR 172.304 billion).

The following graphs present the daily and intraday variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2009, EDP shares proved to be less volatile.



Source: Bloomberg



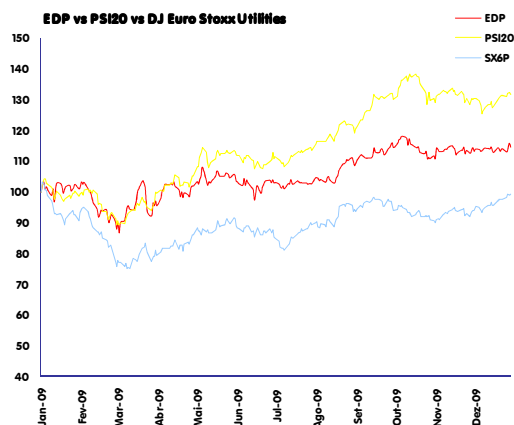
Source: Bloomberg

## 6.2. FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

The stock markets showed a strong recovery in 2009, despite having hit their lowest levels for a decade in March. Of the world's main indices, in the US the Dow Jones rose 18.8%, while in Europe the DJ Stoxx went up 28%, the FTSE 100 in the UK grew 22% and Germany's DAX increased by 23.9%. The benchmark index for the Portuguese stock market, the PSI-20, rose 33.5% over the period. The Brazilian stock market recorded one of the world's best performances in 2009, with the Bovespa Index growing 82.6%.

As for the economic sub-sectors that make up the European DJ Stoxx 600, the largest rises in 2009 came from the most cyclical sectors, which had recorded sharp falls in 2008: basic materials (+101% in 2009), banking (+47% in 2009) and chemicals (+44% in 2009). The utilities sector, of which EDP forms a part, put in the worst performance of all the sub-sectors on the DJ Stoxx 600 in 2009, with the European utilities index, the SX6P, growing by only 1% over the period, while sectors such as telecoms (+11.3%) and insurance (12.9%) also performed at below the overall average.

It was against this backdrop that EDP's listed shares posted a 15.3% increase in value in 2009. Taking into account the payment of dividends of EUR 0.14 per share on 14 May 2009, this resulted in a total profitability of 20.5% for the shareholder over the period under review.



Source: Bloomberg

The behavior of the markets during 2009 can be divided into two phases. The first three months of the year continued to be marked by persistent instability and lack of confidence in the global financial system, and by its knock-on effects on the real economy during the 2nd half of 2008 due to restricted liquidity in the credit markets, a drop in demand for goods and services and a slowdown in world economic growth. During this period, economic performance was also affected by a strong contraction in consumer financing and investment, together with a rise in unemployment. However, following the introduction of strong measures by the central banks of the world's major economies, reducing key interest rates and injecting liquidity into the global financial system, market interest rates fell rapidly and liquidity gradually returned to the credit markets. This occurred first in the short-term markets, before spreading gradually to the medium and long-term markets. In addition, the governments of the world's major economies introduced stimulus packages for their national economies at the start of 2009. These included investment and consumption incentives, as well as social support mechanisms for the unemployed and assistance for companies facing difficulties. As a result of these measures, economic indicators for the 2nd and 3rd quarters showed signs of improvement and the continuation of ample liquidity was reflected in a more favorable climate in the financial markets, with significant increases in the value of most assets (shares and credit). The year ended with activity picking up significantly against a backdrop of inflation and low interest rates, a good combination for the stock market.

In its initial stage, the financial crisis induced a sharp reduction in liquidity and increased spreads in the global credit markets, creating a scenario whereby credit risk analyses conducted by the independent rating agencies took on even further importance. In February, Fitch maintained EDP's long-term rating at 'A-', describing its Outlook as stable. In June, Moody's lowered EDP's rating to 'A3' with a stable Outlook and in August, Standard & Poor's confirmed EDP's rating at 'A-' and revised its Outlook from stable to negative.

In terms of financing policy, 2009 was marked by EDP's decision to extend the period for covering its financing needs on the credit markets, from 12 months to 24 months, so as to reduce the risk associated with instability in the global credit markets. On 9 February 2009, EDP issued 5-year bonds to the value of EUR 1 billion. On 5 March 2009, EDP signed a 3-year revolving credit

facility in a value of EUR 1.6 billion, with a view to bolstering the Group's liquidity. On the same day, EDP securitised the right to receive the tariff adjustments for the extra costs resulting from electricity generation in Portugal in 2007 and 2008, to the sum of EUR 1.2 billion. On 18 June, EDP issued 7-year bonds to the value of EUR 1 billion. In September, EDP once again issued debt securities, to the sum of USD 1 billion, to cover investments in the United States and secure enough liquidity to cover the next two years. In December, EDP securitised the right to receive all the positive adjustments from the costs of energy policy measures resulting in estimated extra costs for special regime energy generation in 2009, which generated proceeds of around EUR 435 million.

In terms of consolidation of the Iberian utilities sector, in February Acciona and Enel reached an agreement to exchange Acciona's holding in Endesa for Endesa's renewable assets. In another deal, Gas Natural completed its acquisition of Union Fenosa in September. The regulatory decision accompanying this acquisition forced Gas Natural to sell a number of its assets. In July, EDP announced the expansion of its gas business in Spain with the agreement to take over low-pressure natural gas distribution and supply companies in the regions of Cantabria and Murcia, and high-pressure natural gas distribution assets in the Basque Country, Asturias and Cantabria, a deal that would be concluded on 31 December for an enterprise value of EUR 330 million.

In the European utilities sector primary market, equity issues were used to finance acquisitions made before the financial crisis, or in response to the deterioration in debt ratios linked to a drop in prices and demand for gas and electricity on the European markets. The largest capital increases included: Scottish & Southern Energy (January – EUR 530 million); Gas Natural (March – EUR 3.5 billion), Vestas (April – EUR 800 million), Enel (May – EUR 8 billion) and Iberdrola (June – EUR 1.33 billion).

In the legislative and regulatory domain, a policy reversal in the United States following the election of Barack Obama in January resulted in strong support for increasing investments in renewable energies (American Recovery and Reinvestment Act of 2009). This situation enabled the EDP Group to form new tax equity partnerships worth USD 102 million in September and USD 228 million in December. In Portugal in December, ERSE published the final draft of its "Tariffs and prices for electricity and other services in 2010", establishing an average increase of 2.9% on sales tariffs to end customers in mainland Portugal for 2010. In Brazil in August, ANEEL approved an annual tariff readjustment of 15.12% for EDP Escelsa and in October approved the definitive parameters for the regulatory period running October 2007 - October 2011. The annual tariff readjustment for EDP Bandeirante was set at 5.46%.

In terms of asset sales, Energias do Brasil launched a secondary public offering of treasury stock in October. This was concluded in November and resulted in proceeds of EUR 170.3 million. Also in October, EDP sold its entire holding in Sonaecom, in line with the EDP Group's strategy to sell its non-strategic assets and concentrate on its core business.

## Main events affecting the EDP share price in 2009



#	Date	Description
1	4-Feb	EDP signed a €145 million loan with European Investment Bank
2	6-Feb	Fitch confirms EDP's long term credit rating to 'A'-assigning stable outlook
3	10-Feb	EDP issues EUR 1 Billion 5 year bond
4	5-Mar	EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2007 and 2008
4	5-Mar	EDP signed credit facility of €1,600 million
4	5-Mar	Disclosure to the market of the financial results for 2008
5	6-Mar	Resignation of Members of the General and Supervisory Board
6	11-Mar	Tolling agreement with Iberdrola on Aguieira and Raiva hydro plants in Portugal
7	15-Abr	EDP's Annual General Shareholders Meeting
8	7-Mai	Disclosure of the financial results for the 1st quarter 2009
8	7-Mai	Publication of the Royal Decree Law that defines the conditions for the elimination of the Spanish tariff deficit
8	7-Mai	Payment of gross dividend of € 0.14 per share for the business year 2008 (net dividend of € 0.112)
9	9-Jun	Moody's downgrades EDP to "A3" with stable outlook
10	18-Jun	EDP issues Eur 1 Billion 7 year bond
10	18-Jun	Energias do Brasil completes the sale of telecom company ESC90
11	30-Jul	Disclosure of financial results for 1st half year 2009
12	4-Ago	Standard & Poor's affirms EDP's "A-" rating and revised outlook from stable to negative
13	5-Ago	ANEEL approves a 15.12% tariff increase at EDP Escelsa's annual tariff readjustment process
14	1-Set	EDP Renováveis establishes a new type of institutional partnership structure for 101 MW in the US
15	3-Set	EDP remains the only Portuguese company to integrate the Dow Jones Sustainability world and Stoxx Index in 2009
16	23-Set	EDP to issue U.S.\$ 1,000 million of Notes
17	7-Out	EDP Bandeirante: ANEEL approves final parameters for the Oct-2007/Oct-2011 regulatory period
18	19-Out	Secondary public distribution of common treasury shares by Energias do Brasil
19	20-Out	EDP sells stake in Sonaecom
20	21-Out	ANEEL approves a 5.46% tariff increase at EDP Bandeirante's annual tariff readjustment process
21	29-Out	Disclosure of the financial results for the 3rd quarter 2009
22	25-Nov	Conclusion of the secondary public distribution of common treasury shares by Energias do Brasil
23	2-Dez	EDP Renováveis closes two institutional partnership structures in the US amounting to \$228 million
24	3-Dez	EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2009
25	15-Dez	ERSE sets electricity tariffs in Portugal for 2010
26	31-Dez	Conclusion of acquisition of gas assets in Spain

## Capital Market Indicators

	2009	2008	2007	2006	2005
<b>EDP Shares on Euronext Lisbon (euros)</b>					
Opening price	2,695	4,470	3,84	2,60	2,22
Closing price	3,108	2,695	4,47	3,84	2,60
Peak price	3,218	4,760	5,00	3,86	2,68
Minimum price	2,43	2,062	3,79	2,58	2,04
<b>Variation in share price and reference indices</b>					
EDP Shares (1)	15,3%	(39,7%)	16%	48%	17%
PS120	33,5%	(51,3%)	16%	30%	13%
Dow Jones Eurostoxx Utilities	1,0%	(38,1%)	18%	36%	26%
Euronext 100	25,5%	(45,2%)	3%	19%	23%
<b>Liquidity of EDP shares on the markets</b>					
Volume on Euronext Lisbon (EUR million)	4.969,7	9.710,1	21.256,5	12.812,5	5.639,4
Mean daily volume (EUR million)	19,4	37,9	83,4	50,2	21,9
Number of shares traded (million) (2)	1.722,3	2.761,1	5.079,7	4.080,9	2.505,2
Total number of shares issued (million)	3.656,5	3.656,5	3.656,5	3.656,5	3.656,5
Privatised shares at the end of the year (million)	2.936,2	2.936,2	3.096,2	3.096,2	3.096,2
% of capital already privatised	80%	80%	85%	85%	85%
Number of own shares held (treasury stock) as at 31 Dec	34,2	35,7	15,5	7,1	17,3
Annual rotation of capital (privatised shares)	58,7%	94,0%	164,1%	131,8%	85,0%
<b>EDP Market Value (EUR million)</b>					
Market appreciation at the end of the financial year	11.364,5	9.854,4	16.344,7	14.041,1	9.507,0
<b>Total shareholder profitability</b>					
Annual variation in share price (1)	0,41	(1,78)	0,63	1,24	0,37
Gross dividend distributed per share in the year	0,140	0,125	0,110	0,100	0,092
Total shareholder profitability	20,5%	-36,9%	19%	52%	21%
<b>Dividends</b>					
Dividend per share	0,155	0,14	0,125	0,11	0,10
Dividend yield	5,0%	5,2%	2,8%	2,9%	3,8%

### 6.3. DIVIDEND DISTRIBUTION POLICY

Since the EDP shares were initially admitted to trading in the Lisbon Stock Exchange (now NYSE Euronext Lisbon), EDP has made careful and judicious annual distribution of dividends based on principles of prudence and creation of value for its shareholders. In accordance with these principles, the dividends distributed by EDP since 1997 are as follows:

Year	Approval Date	Payment Date	Gross Dividend	Net Dividend	
				Residents	Non-Resid.
1997 (1)	17-04-1998	18-05-1998	€ 0,648	€ 0,534	€ 0,534
1998 (1)	11-05-1999	28-05-1999	€ 0,698	€ 0,620	€ 0,620
1999 (1)	12-05-2000	31-05-2000	€ 0,698	€ 0,611	€ 0,611
2000 (2)	10-05-2001	31-05-2001	€ 0,140	€ 0,119	€ 0,119
2001 (2)	10-05-2002	06-06-2002	€ 0,113	€ 0,099	€ 0,093
2002 (2)	22-05-2003	18-06-2003	€ 0,090	€ 0,079	€ 0,074
2003 (2)	31-03-2004	30-04-2004	€ 0,090	€ 0,083	€ 0,079
2004 (2)	31-03-2005	29-04-2005	€ 0,092	€ 0,085	€ 0,081
2005 (2)	30-03-2006	28-04-2006	€ 0,100	€ 0,090	€ 0,090
2006 (2)	12-04-2007	04-05-2007	€ 0,110	€ 0,099	€ 0,099
2007 (2)	10-04-2008	08-05-2008	€ 0,125	€ 0,100	€ 0,100
2008 (2)	15-04-2009	14-05-2009	€ 0,140	€ 0,112	€ 0,112

(1) Values converted from Escudos to Euros rounded to the third decimal place.

The gross value per share referenced in the legal tender at the time of payment of the dividend was PTE 129,587 in 1997 and PTE 140,00 in 1998 and 1999.

(2) After a stock split in which each share was substituted by five shares each with a nominal value equal to one-fifth of the pre-stock split value.

With regard to 2008, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 15 April 2009 a proposal for the appropriation of EUR 551.0 million in net profits (POC), of which EUR 511.9 million was earmarked for distribution to shareholders in the form of dividends. The proposal was unanimously approved by the General Meeting, with a gross dividend of EUR 0.14 per share being paid out on 14 May 2009.

In keeping with the legal provisions in force, the EDP Articles of Association require that profits for a business year be allocated to:

- Covering losses from previous years;
- Constituting or increasing legal reserves or other reserves determined by law;
- Constituting or increasing other reserves established by the General Meeting;
- Distributing dividends to shareholders;
- Awarding bonuses to company directors and employees as part of a profit-sharing scheme, in accordance with criteria defined by the General Meeting; and
- Making a donation to EDP Foundation to be used to sponsor worthy initiatives in accordance with a programme to be submitted to the General and Supervisory Board as part of the EDP Group corporate citizenship and sustainable development policy; the donation is to be the equivalent of up to 0.1% of the consolidated business volume.

In accordance with the accounting principles generally accepted in Portugal, profits to be distributed in the form of dividends are those calculated after deduction of losses brought forward from previous years and a provision of 5% to increase the legal reserves until this amounts to one fifth of the share capital, taking into consideration all other applicable legal and statutory limitations.

### “Dividend Payout”

EDP has followed a sustained policy of dividend distribution that seeks to reconcile, on the one hand, strict compliance with the relevant legal and statutory provisions and, on the other, the sharing with all its shareholders of a significant portion of the value created by the Group, in keeping with the specific situation of the company and the market conditions. The pursuit of this policy is intended to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

### Outlook

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

To this end, at the last Investor Day, held on 6 November 2008, with national and international investors and analysts, the objective of increasing the annual gross dividend per share by 1.5 euro cents in 2009 over the value paid out for the previous year was reconfirmed.

## 7. RELATIONS BETWEEN THE COMPANY AND THE MARKET

### 7.1. GENERAL INFORMATION DUTIES

Access to information on the company activities for investors and potential investors is one of the pillars of EDP policies and operations. Indeed, correct understanding of the strategy and financial, accounting and assets situation and the significant events in the life of the company, is only possible through promotion of transparency and easy access to quality information.

In this context, EDP created, in 1997, a support department - Investor Relations Department - with a view to guaranteeing appropriate relations between the company and the shareholders. The department guarantees permanent contact with the market, respecting the principle of shareholder equality and preventing imbalances in access to information by investors.

EDP thus aims to guarantee, in a permanent and transparent manner, a close relationship with all market agents, providing investors with information that can help them in making decisions on investments (or divestments) in an informed, clear and concrete fashion.

### 7.2. EDP INVESTOR RELATIONS DEPARTMENT

The primary function of the Investor Relations Department is to act as a liaison link between the EDP Executive Board of Directors and investors and the financial markets in general. As part of its normal activities, it is responsible for all information provided by the EDP, including privileged information and other market communications as well as the publication of regular financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information these request, while observing the applicable legal and regulatory provisions.

The company representative for relations with the market is the Executive Board of Directors member, Mr. Nuno Alves. The EDP Investor Relations Department is coordinated by Mr. Miguel Viana and is located in the company's head offices at:

Praça Marquês de Pombal, nº 12, 3º Piso

1250-162 Lisbon

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

E-mail: [ir@edp.pt](mailto:ir@edp.pt)

Website: [www.edp.pt](http://www.edp.pt)

The table below shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

	CHANNELS						
	In Person	<a href="http://www.edp.pt">www.edp.pt</a>	E-mail	Linha telefónica DR <sup>1</sup>	By Mail <sup>2</sup>	<a href="http://www.cmvm.pt">www.cmvm.pt</a>	Media
<b>Elements required by law or regulation <sup>3</sup></b>							
Notice of meeting	√	√	√	√	√	√	√
Board of Directors' proposals	√	√	-	√	-	√	-
Amendment of the Articles of Association	√	√	-	√	-	√	-
Other proposals	√	√	-	√	-	√	-
2009 Annual Report <sup>4</sup>	√	√	√	-	√	√	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√	-
<b>Additional information provided by EDP</b>							
Ballots for voting by proxy	√	√	√	√	√	-	-
Ballots for voting by mail	√	√	√	√	√	-	-
Ballots for voting by e-mail	√	-	√	√	√	-	-
Clarification of any issues	√	√	√	√	√	-	-
EDP Articles of Association and Regulations	√	√	√	√	√	√	-
Results of voting on proposals	√	-	-	√	√	√	-

<sup>1</sup> At the EDP head office.

<sup>2</sup> Additionally, at EDP's initiative: Information from the Chairman of the Board of Directors relating to participation in the General Meetings of 2006, 2007, 2008 and 2009, press release from the Chairman of the Executive Board of Directors divulging information on the economic and financial activity and indicators at the end of each business year and press releases whenever important developments in the life of the company take place.

<sup>3</sup> Companies Code (Article 289) and CMVM Regulation no. 7/2001, as CMVM Regulations nos. 10/2005 and 3/2006.

<sup>4</sup> Annual report, individual and consolidated accounts, statutory auditing and opinion of the Statutory Auditor.

<sup>5</sup> Investor Relations phone line: +351 21 001 28 34

### 7.3. COMPANY INFORMATION ON THE EDP WEBSITE

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website ([www.edp.pt](http://www.edp.pt)) also provides all information on legal or corporate governance matters, updates on company activities and a complete set of financial and operational information with a view to facilitating access to and consultation of information by shareholders, financial analysts and other interested parties.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, documentation for preparing General Meetings, historical development in EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department, as well as other information on the Group of potential interest. The EDP website enables all interested parties to consult, or request, the financial statements and accounts for any accounting year since 1999.