

## **CORPORATE GOVERNANCE and SUSTAINABILITY COMMITTEE REGULATIONS**

**ABBREVIATIONS AND DEFINITIONS:**

**GM** - General Meeting of Shareholders

**External auditor** – Entity responsible for the external independent auditing of Company accounts and assets.

**EBD** – Executive Board of Directors.

**GSB** – General Supervisory Board.

**Corporate Governance and Sustainability Committee** – Committee created by the GSB to oversee matters relating to corporate governance, sustainability, selection criteria and the powers required by the structures and internal bodies of the Company or Group.

**Environment and Sustainability Board** – Advisory body to the EBD on matters relating to the definition of the company's environment and sustainability strategy.

**By-laws** – The current By-laws approved by the GM.

**EDP Foundation** – Foundation created by the Company to sponsor citizenship, social and cultural activities.

**Law** – Includes not only legal regulations but also those designed to regulate the Company's activities.

**Chairman** – With no additional reference, denotes the Chairman of the Corporate Governance and Sustainability Committee.

**Company** – EDP - Energias de Portugal, SA.

**Subsidiaries/Group companies** – Companies owned by, or in the same group as, EDP under Article 21 of the Portuguese Securities Code.

**Internal Regulations** – The main body of regulations governing the organisation and functions of the Corporate Governance and Sustainability Committee, also referred to as the Regulations.

**GSB Internal Regulations** – The main body of regulations approved by the GSB, essentially relating to its organisation and functions.

**SA** - Statutory Auditor

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### **CONTENTS**

Preamble .....	4
Artigo 1.º Establishment of the Corporate Governance and Sustainability Committee .5	
Artigo 2.º Composition.....	5
Artigo 3.º Functioning .....	5
Artigo 4.º Duties .....	6
Artigo 5.º Reporting to the GSB.....	8
Artigo 6.º Internal Regulations.....	9

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<sup>1</sup> Version approved at the CGSC meeting of the 7<sup>th</sup> of December 2007 and ratified by GSB at its meeting of 20<sup>th</sup> of December 2007.

## Preamble

With regard to the organisation of its work, the GSB must create specialised committees whenever it considers this appropriate in order to enable certain functions to be carried out, particularly given the specific nature of its powers.

The creation of the Corporate Governance and Sustainability Committee, as stipulated in the By-Laws, is justified by the company's commitment to sustainable development in accordance with the highest standards of corporate governance and business conduct and ethics.

It is therefore intended that the Corporate Governance and Sustainability Committee should serve as a key partner of the EBD in pursuing Company interests, in particular with regard to matters relating to strategies.

Furthermore, bearing in mind internal organisation needs and existing synergies, on 8 November 2007 the GSB decided to integrate the functions of the former Selection Committee into the mission of the Corporate Governance and Sustainability Committee, after which the former would be dissolved.

The general institutional context of the Committee's mission covers all entities which form part of, or are related to, the Company and which are relevant to the different areas of its work, in particular the EDP Foundation and the Environment and Sustainability Board, bearing in mind their particular responsibilities with regard to corporate civic support and the environment and sustainability respectively.

Given the scope of its mission, the Corporate Governance and Sustainability Committee must develop its activities in close collaboration with the appropriate Company and Group bodies, in particular the EBD and the Company shareholders.

Another concern was to ensure that the Corporate Governance and Sustainability Committee was endowed with the necessary autonomy and resources to perform the duties conferred on it and to provide it with sufficient flexibility to carry out its work.

Finally, the importance given to qualitative assessment of its work should be stressed. This must be carried out by the Corporate Governance and Sustainability Committee itself through an annual review of the results of its work, in addition to ongoing supervision and monitoring by the GSB.

These Regulations are intended to serve as a simple, systematic and clear set of rules that will enable the Corporate Governance and Sustainability Committee to develop its work appropriately. Bearing in mind the dynamics of this work, express provision has been made for a review of the Regulations whenever this is deemed necessary for the full development of its functions.

## Article 1

### Establishment of the Corporate Governance and Sustainability Committee

1. The Corporate Governance and Sustainability Committee created by the GSB is responsible for exercising the functions described in Article 4 of these Regulations and its mission is to oversee and supervise the following areas on a continuous basis:
  - a) Corporate governance;
  - b) Strategic sustainability;
  - c) Internal codes of ethics and conduct
  - d) Systems for evaluating and resolving conflicts of interest in relations between the Company and its shareholders;
  - e) The definition of appropriate selection criteria and responsibilities to be observed in the structures and internal bodies of the Company or its subsidiaries and assessment of their impact on membership;
  - f) The drafting of plans of succession
2. The work carried out by the Corporate Governance and Sustainability Committee as part of its duties also extends to subsidiaries and may include information relevant to other companies in which the Company or its subsidiaries have a direct or indirect stake.

## Article 2

### Composition

1. The Corporate Governance and Sustainability Committee consists mainly of suitably qualified and experienced independent members of the GSB, as defined in Article 7 of the GSB Internal Regulations.
2. Members of the Corporate Governance and Sustainability Committee are elected for the same terms of office as that of the GSB which elects them.
3. The Chairman of the Corporate Governance and Sustainability Committee is elected by the GSB.
4. As a permanently co-opted member, the Chairman of the EBD may attend and participate in the work of the Corporate Governance and Sustainability Committee, but has no voting rights.

## Article 3

### Functioning

1. Meetings of the Corporate Governance and Sustainability Committee are convened by the Chairman or two of its members, either on their own initiative or at the request of any member of the GSB or Chairman of the EBD.

2. The Corporate Governance and Sustainability Committee should meet regularly enough to ensure its duties can be carried out, and at least once every two months.
3. The notice of meeting and agenda should be sent to all members of the Corporate Governance and Sustainability Committee and the Chairmen of the GSB and EBD at least three working days in advance of the meeting.
4. If essential to its work, the Corporate Governance and Sustainability Committee may decide to include external members in its meetings and, in relation to the Company and its subsidiaries, may jointly or individually interview and request the attendance of the following:
  - a) Members of the Board of Directors;
  - b) Members of the supervisory bodies;
  - c) The SA.
  - d) The External Auditor.
  - e) Managerial or other members of staff, in collaboration with the appropriate administrative bodies.
  - f) Shareholders.
5. The Corporate Governance and Sustainability Committee is required to hold meetings and make decisions on the basis of a majority attendance. Decisions are taken on the basis of a majority vote and in the event of a tie, the Chairman has the casting vote.
6. Minutes are taken of meetings of the Corporate Governance and Sustainability Committee.
7. During the course of its work, the Corporate Governance and Sustainability Committee may request technical assistance from the office of the GSB.

#### **Article 4**

##### **Duties**

1. In addition to any other duties expressly conferred on it by the GSB, the Corporate Governance and Sustainability Committee is responsible for:
  - a) Overseeing and assessing the suitability of the corporate governance models implemented by the Company and their compliance with internationally accepted models of corporate governance, forwarding any appropriate recommendations in this area to the GSB and the EBD.
  - b) Monitoring corporate collaboration between the Company and the organisational structure of its subsidiaries and other bodies dependent on the Company, namely the EDP Foundation.
  - c) Supervising compliance with, and the correct application of, the corporate governance principles and standards in force, in liaison with the work of the GSB, EBD, SA and external auditor, promoting and requesting the exchange of information necessary for this purpose.

- d) Overseeing and assessing the Company's corporate image in terms of the market, investors and the supervisory authorities, by monitoring the work of the appropriate Company departments.
  - e) Providing support for, and monitoring the drawing up of, Company policies and strategies for sustainability and their implementation, forwarding any appropriate recommendations in these areas to the GSB and the EBD.
  - f) Supervising the work of the Environment and Sustainability Board.
  - g) The ongoing monitoring, assessment and supervision of internal procedures for matters relating to conflicts of interest and the effectiveness of systems for the assessment and resolution of conflicts of interest.
  - h) Assisting in defining the policy of the Company and its subsidiaries for the code of conduct, the adoption of good practices and compliance with the highest standards of ethics.
  - i) Overseeing the application of the code of ethics, establishing regulatory guidelines and striving to ensure that it is correctly implemented by the Company and its subsidiaries at senior levels.
  - j) Intervening in the mediation of conflicts of interest arising out of the work of the Company, namely with regard to shareholders.
  - k) Issuing opinions on the application of rules for incompatibility and independence to members of the Company's corporate bodies, when requested by the GSB.
  - l) Preparing and monitoring decision-making by the GSB on matters relating to corporate governance and sustainability which require a prior opinion and which have given rise to conflicts of interest involving the Company, shareholders and members of the corporate bodies.
  - m) In collaboration with the EBD, supervising the definition of the criteria and powers required for the structures and internal bodies of the Company, its subsidiaries and other entities for which the Company has the right to appoint members of corporate bodies, and their repercussions on their respective composition;
  - n) In collaboration with the EBD, supervising and drawing up succession plans for the structures and internal bodies of the Company, its subsidiaries and other entities for which the Company has the right to appoint members of corporate bodies.
  - o) Proposing procedures leading to the dismissal of members of the EBD to the GSB.
  - p) In collaboration with the appropriate bodies, arranging for the timely replacement or filling of vacant positions in the Company's corporate bodies.
2. In carrying out its work, the Corporate Governance and Sustainability Committee will pay special attention to supervision of the following:
- a) Changes in policies and practices relating to corporate governance, namely changes in statutes or internal regulations.
  - b) The overall organisation of the Company and its subsidiaries with regard to corporate governance.

- c) The execution of the Company's strategic plan and annual budgets.
  - d) The Company's institutional and commercial relations with members of the corporate bodies and qualifying shareholders, identifying any conflicts of interest.
  - e) Compliance with good governance practices, ethical codes and codes of conduct on the part of the Company and its subsidiaries.
3. With regard to point 1, paragraph m), the Corporate Governance and Sustainability Committee must strive to define criteria and powers which take into account:
  - a) Experience and merit in business management.
  - b) Professional and academic ability within the Company's area of work.
  - c) Identification with the aims and values of the Company.
  - d) Decision-making abilities and independence in management.
  - e) Integrity, ethics and professional and personal values.
4. As part of its work, the Corporate Governance and Sustainability Committee is also authorised to:
  - a) Propose to the GSB the contracting of specialist services and independent consultants in accordance with the appropriate budgets.
  - b) Carry out other inquiries in departments of the Company and its subsidiaries, when necessary in order to enable it to fulfil its duties.
  - c) Obtain all the information it requires in order to carry out its duties, either directly or indirectly through the Chairman of the GSB.
5. The Corporate Governance and Sustainability Committee will establish all the necessary mechanisms to enable it to work in conjunction with organisations and departments in subsidiaries, with the aim of holding regular joint meetings and defining procedures for monitoring activities.

## **Article 5**

### **Reporting to the GSB**

1. The Corporate Governance and Sustainability Committee will inform the GSB of its actions and must submit written reports or statements on the most important matters.
2. In ordinary plenary GSB meetings, the Corporate Governance and Sustainability Committee must provide a status report on the most important matters it has dealt with.
3. The Corporate Governance and Sustainability Committee must produce an annual report of its activities and an assessment of these activities, which will be submitted to the GSB for consideration and will be included in the annual report.

## Article 6

### Internal Regulations

1. The Corporate Governance and Sustainability Committee will annually review the implementation of these Regulations and must make any alterations it considers necessary in order to enable it to fully carry out its work. These alterations must be presented to the GSB for ratification.
2. The GSB Internal Regulations apply to all areas not covered by these Regulations.