

REGULATIONS ON SERVICES PROVIDED BY THE STATUTORY AUDITOR AND EXTERNAL AUDITOR

2010

EDP REGULATIONS ON SERVICES PROVIDED BY THE STATUTORY AUDITOR AND EXTERNAL AUDITOR (REGULATIONS)¹

I. Scope and purpose

1. The General and Supervisory Board (GSB), as EDP's supervisory body, and the Audit Committee/Financial Affairs Committee (AC), as its specialised committee for the functions entrusted to it by Law and the articles of association and others delegated to it by the GSB, promote oversight of the independence of the Statutory Auditor (SA) and the External Auditor (EA) in providing their auditing and additional services to EDP and its subsidiaries.

2. As required by Law and the articles of association and with the appropriate adaptations, the underlying principles of these Regulations shall be applied to subsidiaries. The Executive Board of Directors (EBD) shall be responsible for taking appropriate measures to ensure that they are adopted and the GSB and the AC are responsible for the supervision of this matter.

II. Independence

3. As part of their competences with regard to the services provided by the SA and EA, the GSB and the AC assume to take appropriate measures to prevent, identify and solve any threats to the independence of EDP's SA and EA, especially in situations of self-review, personal interest, representation, familiarity, trust or intimidation.

4. When appreciating and assessing the independence of the SA and the EA, the GSB and the AC shall adopt an objective, reasonable, informed third-party standard.

III. Definitions

5.1. GM – General Meeting of Shareholders of the Company

5.2. EA – the entity responsible for external, independent auditing of the Company's assets and accounting situation pursuant to Article 8 of the Securities Code, whose selection and replacement is entrusted to the GSB.

5.3. EBD – Executive Board of Directors

5.4. GSB or the Board – the Company's General and Supervisory Board

5.5. AC – Audit Committee also known as Financial Affairs Committee

5.6. CMVM – Portuguese Securities Market Commission

5.7. Network – the largest structure for cooperation, to which a statutory auditor or certified audit firm belongs and the aim of which is the sharing of profits or costs or the sharing of ownership, control or management, common quality-

¹ Approved by the GSB in 16.12.2010.

control policies and procedures, a common strategy, use of a common name or a significant part of professional resources

5.8. SA – statutory auditor elected by the GM as a supervisory body of EDP.

5.9. Audit services - these comprise examinations and other services associated with the Company's accounts performed in accordance with current auditing standards and including:

- a) Legal audits
- b) Audits of accounts performed as required by law, contract or the articles of association
- c) Services related to those mentioned in the preceding points, when they have a specific or limited purpose or scope

Point I of Annex 1 contains a merely indicative list of these services.

5.10. Additional services – this covers **other services for guaranteeing reliability, tax consultancy** and **other non-audit services** that can be provided by bodies other than the SA or the EA. Point II of Annex 1 contains a merely indicative list of these services.

5.10.1. Other services for guaranteeing reliability – services that take the form of a commitment, on the basis of appropriate, duly identified criteria, to evaluate or quantify a certain element for which a third party is responsible or to express an opinion providing a certain degree of certainty on this element

5.10.2. Tax consultancy – advisory and support services on tax matters

5.10.3. Other non-audit related services – covering all other services not included in the other additional service categories

5.11. Prohibited additional services – services that, pursuant to Annex 2, cannot be provided by the SA or EA (including certified audit firms, their members and legal persons that belong to the same network as the audit firm, pursuant to Article 68(11) of Decree-Law 224/2008), to EDP or subsidiaries

5.12. Company – EDP – Energias de Portugal, S.A., also referred to as EDP

5.13. Subsidiaries – companies controlled by or in the same group as the Company pursuant to the Securities Code

IV. Commissioning audit services

6. The GSB's motion to the GM regarding the election of the SA and the decision on the selection of the EA by the GSB shall contain specific justification of the independence of the providers of audit services, taking into account, particularly:

- a) Business relationships with the Company
- b) Independence policies and procedures followed by the audit services provider

7. In the event of the dismissal of the previous service provider, the advantages and costs of replacing it shall be considered, in addition to independence conditions.

8. Contracts on the provision of audit services shall set out specific measures allowing the GSB and AC to monitor and assess the independence of the SA and the EA and it shall provide for acceptance of these Regulations.

Unofficial Translation. In the case of any discrepancy between this translation and the Portuguese version, the latter will prevail.

9. The range, scope and timeline for performing the activities included in the audit services shall be discussed and agreed upon by the GSB, AC, EBD and their service providers in order to ensure the essential conditions for the independence of the SA and EA.

10. The commissioning of the audit services set out in Annex 1 or of others previously and specifically qualified as such by the AC but not included in the SA and the EA contracts requires prior authorisation from the AC, which shall be granted if the conditions set out in Paragraph 13(a) and (b) are met.

V. Commissioning additional services

11. The commissioning by EDP or subsidiaries of additional services from the SA and the EA shall require prior authorisation from the AC.

12. Requests from the EBD to commission additional services from the SA and the EA shall include:

- a) A description of the services and the reasons for commissioning them.
- b) A mention of the procedures followed in selecting the SA and/or the EA for this service, such as whether the operation was based on a call for tenders or a direct contract.
- c) In the event of a direct contract, the reasons for this decision.
- d) In the event of a call for tenders, information on the terms of the different bids and reason for the selection.
- e) A statement by the SA and/or the EA that it considers that the award of the contract for the additional service does not threaten its independence and, in particular, does not create a situation of self-review or personal interest.
- f) The maximum fees payable for the service.
- g) A draft agreement or terms governing the provision of the service.
- h) Information on the total value of contracts approved in the calendar year in question.

13. The AC shall authorise the commissioning of additional services from the SA and the EA, if it concludes that:

- a) It is not a prohibited additional service, taking account of the interpretative criteria in European Commission Recommendation C (2002) 1873 of 16 May.
- b) In accordance with an objective, reasonable, informed third-party standard, the service does not pose any threat to the independence of the SA or the EA and in particular does not increase the likelihood of self-review or personal interest.
- c) The commissioning of this service does not mean that the annual cost of additional services exceeds 30% of the total value of services provided to EDP by the SA or the EA. It is the responsibility of the EBD to assure that the threshold is respect.

14. The AC shall only be responsible for the authorisations that it grants in the calculation of the percentage of additional services from the SA and the EA.

VI. Reporting

15. By the end of the month following the end of the first, second and third quarters of the calendar year and by the end of February following the end of each calendar year, the EBD shall provide the AC with a report containing individualised information on contracts awarded by EDP and subsidiaries to the SA, the EA and the network to which they belong and the individual and accumulated fees and their percentages, in the following categories:

- a) Audit services
- b) Additional services
 - i. Other services guaranteeing reliability
 - ii. Tax consultancy
 - iii. Other non-audit services

16. In its analysis of the information reported by the EBD, the AC:

- a) Shall appreciate the correct classification of the services provided.
- b) May ask the EBD for additional information or documentation necessary for it to give a reasoned opinion on the independence of the SA and the EA.
- c) Shall send the GSB and the EBD its opinion on its analysis of the information reported.

VII. Intervention by the AC

17. As part of the duties delegated to it by the GSB with regard to the independence of the SA and the EA, the AC shall, in particular:

- a) Inform the GSB of its activity on a regular basis.
- b) Monitor the work of the SA and the EA in order to prevent, identify and solve any threats to their independence.
- c) During the procedures for issuing an opinion on the annual report and accounts, assess the independence of the SA and the EA and submit the conclusions of this assessment for approval by the GSB, indicating whether or not there is just cause for the GSB to propose to the GM the dismissal of the SA or to dismiss the EA.
- d) Submit an annual report on approved additional services with a summary indication of why authorisation was given for their commissioning. This information shall be included in the company's annual corporate governance report.
- e) Conduct an annual assessment of these Regulations and propose their revision to the GSB if necessary.

ANNEX 1 EXAMPLES OF AUDIT SERVICES AND ADDITIONAL SERVICES

I. Audit services

- a) Necessary services (including the internal control procedures required as part of audits) for the issuance of the external auditor's annual or interim reports on the accounts
- b) Services required for compliance with local legislation (including the internal control procedures required as part of audits) for the issuance of legal certifications of accounts
- c) Other services related to those in the preceding points with a specific or limited purpose or scope:
 - 1. Opinion on the Internal Control System for Financial Reporting
 - 2. Opinion on Consumption Efficiency Promoting Plan (PPEC)
 - 3. Opinion on Environment Development Promoting Plan (PPDA)
 - 4. Opinion on financial statements for regulation purposes
 - 5. Compliance statement in the context of contractual agreements
 - 6. Opinion on the specific accounts and elements of the financial statements
 - 7. Comfort letters for securities issuance

II. Additional services

II.1. Other services guaranteeing reliability

- a) Review of internal control systems and procedures not included in audit services
- b) Due diligence services / examination or audit of financial statements related to company acquisitions or divestments

II.2. Tax consultancy

- a) Tax compliance services: review of original or corrected tax returns and their annexes for taxes, charges and other contributions provided for by law
- b) Tax consultation & planning services: assistance with tax inspections, preparation of tax applications or appeals, review of transfer prices and evaluations for tax purposes

II.3. Other non-audit services

- a) Assistance with reviews of agreements on acquisitions or divestments of assets and companies
- b) Services on the risk and safety review of information systems
- c) Information system risk management services – review of the business continuity plan, disaster recovery plan, IT corporate governance review and IT project risk management
- d) Technical support services in the development and improvement of operational, business support and other processes
- e) Training services

ANNEX 2 LIST OF PROHIBITED ADDITIONAL SERVICES

1. Preparation of accounting records and financial statements involving:

- a) Authorisation or approval of transactions
- b) Preparation, maintenance or alteration of accounting records
- c) Determination or alteration of entries, classifications of accounts or operations or other accounting records

2. Design and implementation of information accounting systems involving:

- a) Systems used in bookkeeping, cost accounting, payrolls, cash management, inventories and production control
- b) Supervision of Company employees in daily operation of a computer system
- c) Management of any computer system network

3. Evaluation of assets or financial liabilities representing materially relevant amounts in the context of financial statements and in which the evaluation involves a high degree of subjectivity, such as:

- a) Preparing actuarial studies for recording liabilities or setting up provisions
- b) Issuing opinions of evaluation of assets and reports on contributions in kind

4. Internal audits

5. Human resource management services involving:

- a) Selection and recruitment of executives or other employees
- b) Negotiation of employee benefits or compensation
- c) Pension plan management

6. Specialised legal services unrelated to audit services involving:

- a) Representation in the settlement of disputes
- b) Acting as an expert in legal or administrative matters