

## **REPORT ON THE ACTIVITY OF THE AUDIT AND CONTROL COMMITTEE**

The current Audit and Control Committee was appointed at the Board of Directors meeting on 4 June 2008 and comprises solely non-executive Directors in observance of the legal and regulatory requisites, all its members are independent as defined in Article 144 No. 5 of the Limited Companies Code, they are not subject to any of the incompatibilities referred to in Article 414-A of the that Code and all members hold senior qualifications suitable for the exercise of their functions, and audit and accounting knowledge.

### Attributions:

Beyond other legal responsibilities, the Articles of Association refer to the following faculties:

- a) To report to shareholders at General Meetings on matters within its area of competence.
- b) To propose to the Board of Directors the appointment of the Company's External Auditor along with the terms in which it is hired, and the scope, revocation or renewal of its contract.
- c) To supervise the Internal Audit activities.
- d) To accompany the process of financial information and the Internal Control system.
- e) To review the External Auditor's activity, particularly on questions which may jeopardise its independence or any other related with the process of the auditing of the accounts.
- f) To receive and maintain information on any other matter provided for in the audit legislation and in the technical audit standards in place at

any time.

According to its Articles of Association, the Audit and Control Commission must meet at least once every quarter, or whenever its Chairman deems fit.

As of its election, and until conclusion of the closure of the accounts for the 2008 financial year, the Audit and Control Commission met 11 times, taking account not just of supervision of the closure of the quarterly accounts as from the first semester and reviewing the processes for the preparation and disclosure of the financial information, but also the activities of Internal Audit, Internal Control and Risk Management.

Considering the work done in that period, the following aspects must be highlighted:

#### 1 – General activities

- Assessment of the Audit and Control Commission's Draft Internal Regulations approved at the Board of Directors meeting on 4 June 2008.
- Analysis together with the Secretary-General and the Legal Advisor of the relevant legal and regulatory provisions which the Audit and Control Commission must comply with in both the Portuguese and Spanish legislation.

#### 2 – Supervision of the External Auditor's authorities and independence

- Review of the External Auditor's independence particularly in the light

of the capacity for exemption in the case of "non-audit" services.

- Analysis of the External Auditor's responsibilities in the light of the services contract already in place for the current term.
- It is important in this context to indicate that the External Auditor submitted a statement to the Audit and Control Commission in line with the applicable legal requirements, confirming its independence in all the services provided to the company during the last financial year.

### 3 – Evaluation of the External Auditor

- Accompaniment and assessment of the External Auditor's activity, particularly its audit reports and opinions in accordance with the applicable standards and regulations and referring especially to compliance with international audit standards in the provision of audit services.
- In that context, the Audit and Control Commission made an assessment of the External Auditor's performance in providing the services contracted by the company, with a positive evaluation in terms of the quality of the services provided when measured against the applicable standards, so that it was considered appropriate to retain the External Auditor.

### 4 – Supervision of the quality and integrity of the financial information in the documentation presenting the accounts

- Supervision of the fulfilment and suitability of the accounting policies, procedures and practices and the valuation criteria adopted, and the

regularity and quality of the Company's accounting data, by analysis of meetings, reports, reviews and audits with the CFO and the External Auditor and with EDPs Director of Consolidation and Control in the scope of the contract for the provision of services concluded between the two companies.

- Analysis of the annual, six-monthly and quarterly financial data disclosed by the Company and its conformity with the legal, regulatory and accounting requisites in place, and the associated discussion with the Company's CFO and the External Auditor, with presentation of an opinion to the Board of Directors.
- Participation in the Executive Committee meeting which debated and evaluated the documents presenting the 2008 annual accounts to be submitted to the Board of Directors.
- Opinion on the Report and the individual and consolidated Accounts for the 2008 financial period, which must be submitted to the General Meeting for approval.

5 – Supervision of the quality, integrity and effectiveness of the Internal Control System, Risk Management and the Internal Audit function.

- Supervision of the work developing the Company's internal control system and the External Auditor's related evaluations.
- Supervision of the work for implementation of the risk management system.

- Supervision of the Internal Audit function activity, including analysis of its annual working plan, reports on that work, and the implementation of the recommendations presented there.

## 6 – Thinking on the system of corporate government adopted by EDP Renovables

- An assessment of and the thinking on the system of government of the company EDP Renovables, taking account of its specific features, in particular those arising from the need to combine its compliance with the Spanish legislation as personal law and from trading of the associated shares on the official listing market of the NYSE Euronext Lisbon.
- For these purposes, institutional cooperation between the Executive Committee and the Audit and Control Commission has enabled the Commission to have the information necessary to allow it to pursue its activity independently.
- In this context, the Audit and Control Commission concluded as follows:
  - a) The model of government adopted by the EDP Renovables General Meeting has proven itself to be adequate to pursuit of the Company's activity, making it possible to ensure a balance between management powers, essentially in the hands of the Executive Committee, and the supervisory powers implemented by the Audit and Control Commission.
  - b) The structuring of the Company's supervision and administration,

particularly the relation between the two bodies responsible for these areas, has been high-quality, due in large measure to the fact that the Audit Commission members belong to the Company's Board of Directors, which gives them direct access (which has been facilitated by the Executive Committee) to all forms of information referring to the effective management of EDP Renovables.

- c) The above points demonstrate the appropriateness of the model adopted by EDP Renovables, particularly in the light of the fact that coordination between the Company's corporate bodies has been shown to be excellent, each seeking to facilitate the activity of the other, all with any eye on the pursuit of the company business.

#### 7 – Coercion during the Audit and Control Commission's activity

- The Audit and Control Commission encountered no coercion in the pursuit of its activity during 2008.

### **EDP Renováveis, S.A.**

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