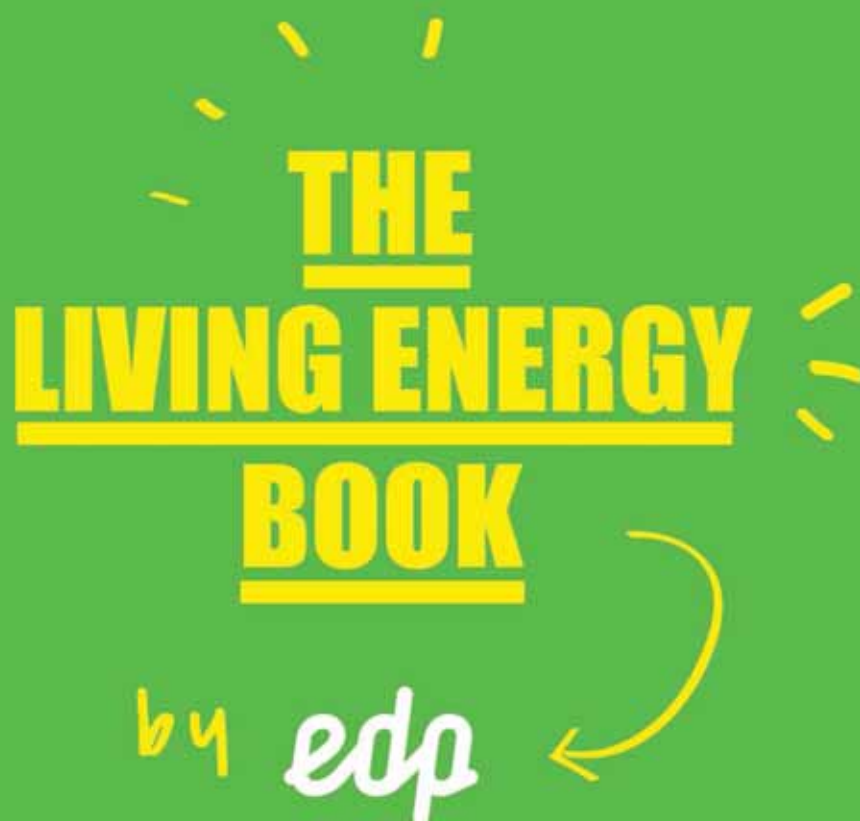


edp renováveis

THE
LIVING ENERGY
BOOK

by *edp*



MANAGEMENT REPORT
2017



1 The Company

EDP Renováveis in Brief

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LIVING HUMANITY

THE

LIVING

ENERGY

BOOK





01 THE COMPANY

1.1. EDP RENOVÁVEIS IN BRIEF

1.1.1. VISION, MISSION, VALUES AND COMMITMENTS



A global energy, renewable company, leader in value, creation, innovation and sustainability.



Aim to be a long-term market leader in the renewable energy sector, pursuing credibility through safety, value creation, social responsibility, innovation, and respect for the environment.

VALUES



COMMITMENTS

INITIATIVE

through behaviour and attitude of our people.

- We join conduct and professional rigour to entus team work.
- We listen to our stakeholders and answer in a simple and clear manner.
- We surprise our stakeholders by anticipating their needs.

TRUST

of shareholders, employees, customers, suppliers and other stakeholders.

- We ensure the participatory, competent and honest governance of our business.
- We believe that the balance between private and professional live is fundamental in order to be successful.

EXCELLENCE

in the way we perform.

- We fulfil the commitments that we embraced in the presence of our shareholders.
- We place ourselves in our stakeholder's shoes whenever a decision has to be made.
- We promote the development of skills and merit.

INNOVATION

to create value in our areas of operation.

- We are leaders due to our capacity of anticipating and implementing.
- We avoid specific greenhouse gas emissions with the energy we produce.
- We demand excellence in everything that we do.

SUSTAINABILITY

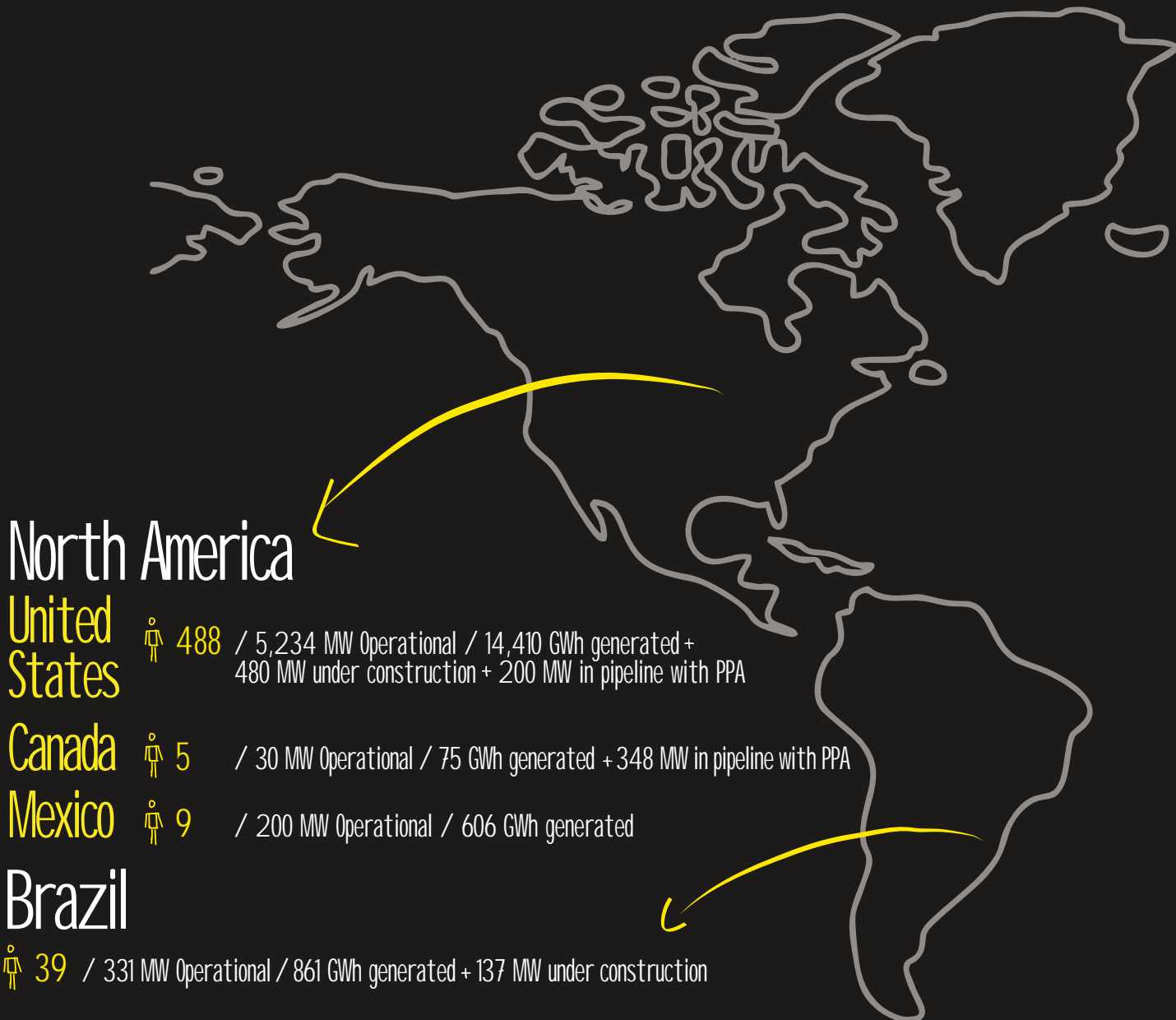
aimed at the quality of life for current and future generations.

- We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.

1.1.2. EDPR IN THE WORLD









In 2017 EDP Renováveis generated 27.6 TWh avoiding the emissions of 22 mt of CO₂.

EDPR is a market leader with top quality assets in 12 countries, managing a global portfolio of 11.0 GW of installed capacity, 828 MW under construction and much more in pipeline development, employing 1,220 employees.





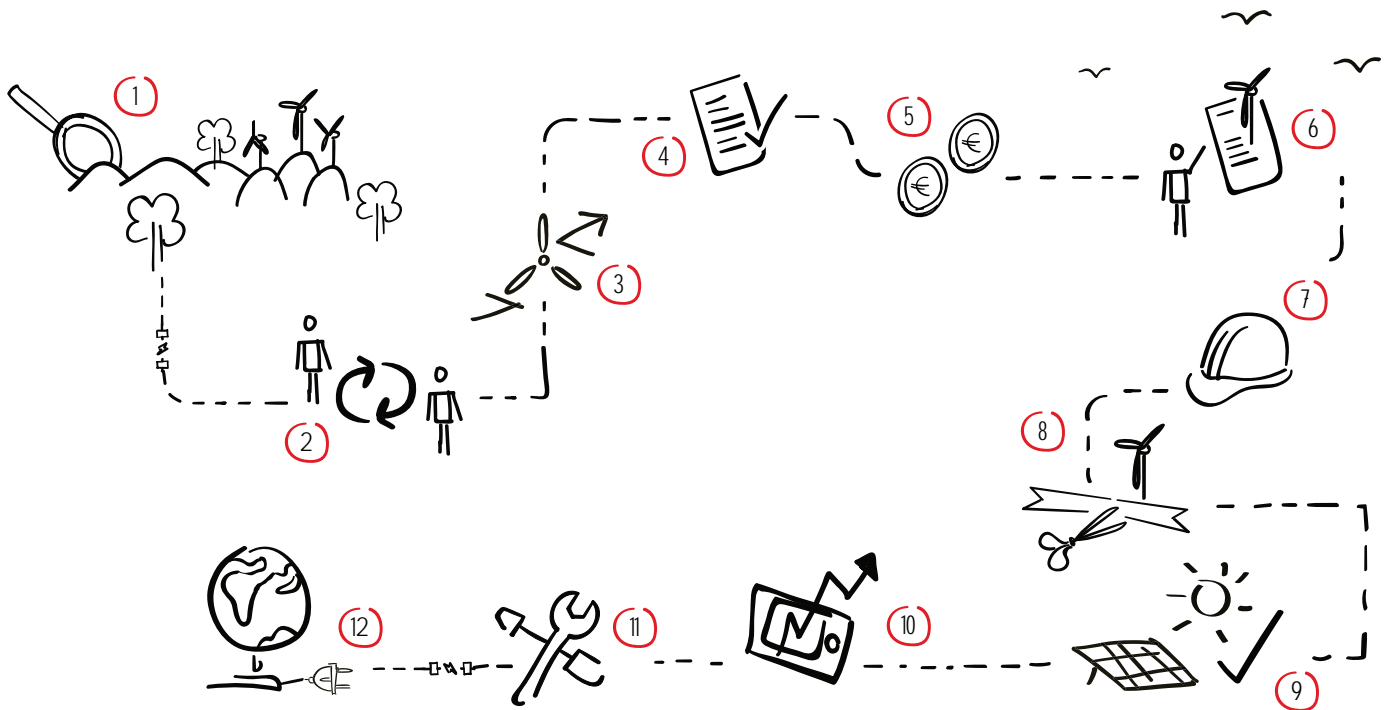
Europe

| | | |
|----------------|---|---|
| Portugal |  73 | / 1,253 MW Operational / 2,912 GWh generated + 55 MW under construction + 177 MW in pipeline |
| Spain |  406 | / 2,395 MW Operational / 5,095 GWh generated + 68 MW under construction + 25 MW in pipeline |
| France |  60 | / 410 MW Operational / 808 GWh generated + 11 MW under construction + 1 GW offshore in pipeline |
| Belgium |  3 | / 71 MW Operational / 129 GWh generated + 11 MW in pipeline |
| Poland |  35 | / 418 MW Operational / 1,093 GWh generated |
| Romania |  32 | / 521 MW Operational / 1,295 GWh generated |
| Italy |  28 | / 144 MW Operational / 337 GWh generated + 77 MW under construction + 50 MW in pipeline |
| United Kingdom |  42 | / 0.9 GW of offshore in pipeline |



1.1.3. BUSINESS DESCRIPTION

Our renewable energy business grossly comprises the development, construction and operation of wind farms and solar plants to generate and deliver clean electricity.



- | | | |
|---|--|--|
| <p>① SITE IDENTIFICATION Search for sites with top-class wind conditions or irradiance resource and analyse grid connection feasibility.</p> | <p>② LANDOWNER AGREEMENT Contact local landowners and negotiate leasing agreement.</p> | <p>③ RENEWABLE RESOURCE ANALYSIS Install meteorological equipment to collect and study wind profile and solar radiance.</p> |
| <p>④ OBTAIN CONSENTS AND PERMITS Engage with local public authorities to secure environmental, construction, operating and other licenses.</p> | <p>⑤ PROJECT EVALUATION AND FUNDING Evaluate potential operational and financial risks and find appropriate finance to the project.</p> | <p>⑥ LAYOUT DESIGN AND EQUIPMENT CHOICE Optimize the layout of the farm and select the best fit of equipment model based on the site characteristics.</p> |
| <p>⑦ CONSTRUCTION Build access roads, prepare foundations, assemble wind turbines or solar panels, construct substation.</p> | <p>⑧ OPENING CEREMONY Celebrate the benefits of renewable energy with local communities, authorities and other stakeholders.</p> | <p>⑨ WIND AND SOLAR PLANT OPERATION Complete grid connection and start to generate renewable electricity.</p> |
| <p>⑩ DATA ANALYSIS Monitor real-time operational data, analyse performance and identify opportunities for improvement.</p> | <p>⑪ ONGOING MAINTENANCE SERVICE Keep availability figures at the highest level possible and minimise failure rates.</p> | <p>⑫ GENERATE AND DELIVER CLEAN ENERGY A better energy, a better future, a better world!</p> |



1.1.4. STAKEHOLDERS FOCUS

EDPR has a strong commitment in engaging with all its stakeholders. Based on the group’s policies, the company aims to be innovative and forward-looking in the way it manages its relationships with employees, suppliers, local communities, investors, media, financial institutions and others. The following image represents the Stakeholders Groups allocated to the four categories:



EDPR follows four commitments when interacting with the stakeholders: Comprehend, Communicate, Collaborate and Trust. These belong to a comprehensive plan that involves all business areas and uses cross-functional tools.

| | |
|--|--|
| <p>COMPREHEND</p> <p>Include, identify and prioritize:</p> <p>EDPR regularly identifies the stakeholders that influence the company and works to analyze and understand their expectations and interests in the decisions that directly impact them.</p> | <p>COMMUNICATE</p> <p>Inform, listen and respond:</p> <p>Committed in promoting a two-way dialogue with stakeholders through information and consulting initiatives is part of a EDPR’s objective. This can be attainable by listening, informing and responding to stakeholders in a consistent, clear, rigorous and transparent manner, resulting in a strong, meaningful and lasting relationship.</p> |
| <p>COLLABORATE</p> <p>Integrate, share, cooperate and report:</p> <p>EDPR aims to collaborate with stakeholders by building strategic partnerships that aggregate and disperse knowledge, skills and tools. These will promote the creation of shared value in a differentiating way.</p> | <p>TRUST</p> <p>Transparency, integrity, respect and ethics:</p> <p>One of the company’s beliefs is the importance of a trustworthy relationship with the stakeholders in establishing stable, long-term relationships. These relationships with the stakeholders are based on values like transparency, integrity and mutual respect.</p> |

**MANAGEMENT REPORT
2017**

The governance of this methodology is institutionalized through the two main groups: **Stakeholder Steering Committee** and **Working Group**, followed by a system: **CRM**. The **Stakeholder Steering Committee** and **Working Group** include an heterogeneous group of members from different areas of the company. The first cluster is composed with leaders in touch with each Stakeholder group and with a more strategic view. This group was created to establish the Stakeholders Management Plan, monitor progress and evaluate results. While the second cluster, is in charge of enacting the committee's plans, make the ideas operational and impactful. The inclusion of a digital tool (**CRM**) in this plan, has the objective to facilitate deployment, internal knowledge-sharing and follow-up, as well as monitoring.



MAIN COMMUNICATION CHANNELS

The communication channels play a key role in managing the relations with the stakeholders. To ensure continuous dialogue and a close relationship with them, EDPR uses the most effective channels to identify and manage expectations, minimizing and ensuring better control of the risks allocated to each stakeholder group. To clarify, EDPR has enumerated the main channels of each group of the four main categories.

MARKET

| | |
|------------------------------------|---|
| Financial Entities | Website, Quarterly & annual Reports and Presentations Meetings & Inquiries |
| Competitors | Website, Events & Conferences |
| Investor & shareholders | Website, Quarterly & annual Reports and Presentations Meetings, Investor Day & Roadshows Inquiries |

VALUE CHAIN

| | |
|-------------------------------|--|
| Employees & Unions | Employees internal communications & surveys Intranet, Magazine, Newsletter, HR App & Corporate TV Annual Meeting, Training & Surveys |
| Suppliers | Meetings, emails Surveys & Inquiries |
| Scientific Community | Corporate Social Responsibility Programs Meetings & Events |
| Offtakers | Meetings, Reports & Updates |



SOCIAL + TERRITORIAL ENVIRONMENT

| | |
|------------------------------------|--|
| NGOs | Corporate Social Responsibility Events, Meetings & Events |
| Local Communities | Local presence, meetings, Sponsorships Visits to the wind-farms & Inaugurations Website, Conferences |
| Municipalities | Meetings Surveys & Inquiries Events & Corporate Social Responsibility Events |
| Media & Opinion Leaders | Meetings & Events Website, Conferences |

DEMOCRACY

| | |
|---|---|
| Public powers & Regulation | Interactions, Events & meetings (with Regulators & Tax Authorities) |
| Parliament & Political parties | Interactions, Events & meetings |
| International Institutions | Interactions, Events & meetings |

The communication channels are the center of stakeholder management, by allocating to each group a specific and tailored communication channel, alongside with the results of the Stakeholders Global Survey, EDPR can effectively identify perceptions, expectations, value drivers and behaviors of each stakeholders. This way, the company can keep improving each year in order to reach a better communication relationship between the stakeholder groups. Through these channels, EDPR has registered 29 complains during 2017 regarding society impacts, most of them related to possible interferences with TV signal in France. All of them with related cost corrective actions valued in €7k.


















This year, EDPR completed a Stakeholder Management Plan cycle with the possibility of comparing results regarding the previous year. This comparison of the performance and the monitoring evolution provided a developed perspective on stakeholder management, as well as on medium-term planning and policies. Furthermore, the accomplishment of the cycle provided essential information to draw up renewed and improved guidelines for stakeholder value management of the following year.



1.1.5. SUSTAINABILITY ROADMAP

At a global level, Sustainability is framed by 17 Sustainable Development Goals defined by the United Nations for the 2015-2030 horizon. In the development of its commitments, EDPR will guide its contributions by 2030 in eight of the seventeen Sustainable Development Goals.

EDPR, as a renewable energy company, creates great expectations in its stakeholders about Sustainability. Responding to these expectations and aligned with EDPR's contribution to the SDGs, the company keeps committed to excel in all three pillars of Sustainability namely the economic, the environmental and the social - defining a










| United Nations Sustainable Development Goals (SDGs) | Sustainability Roadmap Strategic Lines (2016-20) | |
|--|---|---|
|  <p>Affordable and Clean Energy</p>  <p>Climate Action</p> | <p>Maintain leadership position in RENEWABLE ENERGY PRODUCTION</p> |  |
|  <p>Decent Work and Economic Growth</p> | <p>CREATE VALUE while maintaining a LOW RISK profile</p> |  |
|  <p>Life on Land</p> | <p>Optimize ENVIRONMENTAL MANAGEMENT</p> |  |
|  <p>Responsible Consumption and Production</p> | <p>Maintain CIRCULAR ECONOMY in the internal management of the operations</p> <p>Ensure a high SAFETY STANDARDS for employees and contractors</p> |  |
|  <p>Gender Equality</p> | <p>Ensure a high standard ETHICAL PROCESS</p> |  |
|  <p>Sustainable Cities and Communities</p> | <p>Broaden and harmonize the mechanisms of periodic consultation of STAKEHOLDERS</p> <p>Support SOCIAL AND EDUCATIONAL INITIATIVES through Fundación EDP</p> <p>Invest in employees DEVELOPMENT and ensure continued compromise with society through VOLUNTEERING</p> |    |
|  <p>Industry, Innovation and Infrastructure</p> | <p>Promote INNOVATION in operation and construction phases</p> |  |



strategy of best practices. Following a culture of continuous improvement, 10 Sustainability goals were defined within the 2016-2020 Business Plan.

This roadmap brings together the three sustainability pillars and is laid down in 10 different areas: Operational

growth, Risk controlling, Economic value creation, Environment, Value circle, People, Governance, Stakeholder Engagement, Innovation and Society. Defined goals make performance measurable to help drive the company as a growing leader in value creation, innovation and sustainability.

| Sustainability Roadmap Indicators (2016-20) | | Execution 2016 - 2017 | |
|--|---|-----------------------|---|
|  | <ul style="list-style-type: none"> • Installed capacity: 700 MW /year • Avoided CO₂: +10% (CAGR vs. 2015-20) • < 1% emitted / avoided CO₂ | | <ul style="list-style-type: none"> • Increased 685 MW average • Avoided CO₂: +9% (CAGR vs. 2015-17) • 0.1% emitted / avoided CO₂ |
|  | <ul style="list-style-type: none"> • EBITDA: +8% (CAGR vs. 2015-20) • Net Profit: +16% (CAGR vs. 2015-20) • Core OPEX/MW: -1% (CAGR vs. 2015-20) | | <ul style="list-style-type: none"> • Adj. EBITDA¹: +12% (CAGR vs. 2015-17) • Adj. Net Profit¹: +45% (CAGR vs. 2015-17) • Core OPEX/Avg. MW: -3% (CAGR vs. 2015-17) |
|  | <ul style="list-style-type: none"> • 100% Certified MWs (ISO 14001) • 100% of critical suppliers with environmental management system (EMS) | | <ul style="list-style-type: none"> • 91% Certified MWs (ISO 14001) based on 2016 Installed Capacity • 83% critical suppliers with EMS |
|  | <ul style="list-style-type: none"> • Maintain hazardous wastes and used water per GWh ratios aligned with previous years • >90% hazardous wastes recovered | | <ul style="list-style-type: none"> • 31.6 Kg./GWh and 0.51 l/MWh in 2017 • 98% hazardous wastes recovered in 2017 (excluding accidents) |
|  | <ul style="list-style-type: none"> • 100% Certified MWs (OHSAS 18001) • 100% of critical suppliers with H&S management system • Zero accidents mind-set | | <ul style="list-style-type: none"> • 91% Certified MWs (OHSAS 18001) • 88% of critical suppliers with H&S management system • Zero accidents mind-set |
|  | <ul style="list-style-type: none"> • Zero tolerance for unethical behaviors | | <ul style="list-style-type: none"> • One communication to the Ethics Ombudsman² |
|  | <ul style="list-style-type: none"> • Stakeholders Plan development in all geographies | | <ul style="list-style-type: none"> • Stakeholders execution plan in Spain |
|  | <ul style="list-style-type: none"> • c. €10 million investments (incl. energy storage and offshore structures) | | <ul style="list-style-type: none"> • c. €2 million investment in 2016-2017 |
|  | <ul style="list-style-type: none"> • >80% of employees in training activities • >40% of employees in volunteering activities | | <ul style="list-style-type: none"> • 99% of employees received training in 2017 • 33% of employees participated in volunteering activities |
| | <ul style="list-style-type: none"> • c. €2.5 million investment | | <ul style="list-style-type: none"> • c. €1.2 million investment in 2016-2017 |

¹ EBITDA and Net Profit adjusted by non-recurrent events: 2015 Adj. EBITDA: €1.0 billion; 2015 Adj. Net Profit: €108 million; 2016 Adj. EBITDA: €1.2 billion; 2016 Adj. Net Profit: €104 million; 2017 Adj. EBITDA: €1.3 billion; 2017 Adj. Net Profit: €226 million. Adj. Net Profit CAGR would be equivalent to 16% without asset life extension adjustment effective since January 2017.

² In 2017 there was one communication to the Ethics Ombudsman through the Ethics Channel. However, it was decided to reject this claim as it was not considered as an issue related to the Code of Ethics.

1.2. 2017 IN REVIEW

1.2.1. KEY METRICS SUMMARY

CAPEX
€1,051m
+2% vs 2016

**INSTALLED
CAPACITY**
11,007 MW
EBITDA + Net Equity

**NEW
ADDITIONS**
+0.6 GW
EBITDA + Net Equity

TECHNICAL
AVAILABILITY
97.8%
vs 97.7% in 2016

NET INCOME
€276m
vs €56m in 2016

NET DEBT
€2.8 bn
+2% vs 2016

LOAD FACTOR
31%
+1pp vs 2016

EBITDA
€1,366m
+17% vs 2016



1,220

EMPLOYEES
+13% vs 2016

EMISSIONS AVOIDED

22 mt CO₂

+10% vs 2016

**CORE OPEX/
AVERAGE MW
€42k/MW**

-2% vs 2016

GENERATION

27,621 GWh

+13% vs 2016

91%
CAPACITY
CERTIFIED OHSAS
18001 AND ISO 14001

TRAINED EMPLOYEES

99%
35 hrs/employee

**OPERATING
CASH-FLOW**

€981m

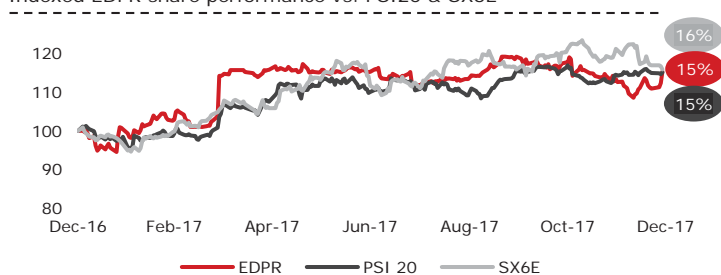
+13% vs 2016

1.2.2. SHARE PERFORMANCE

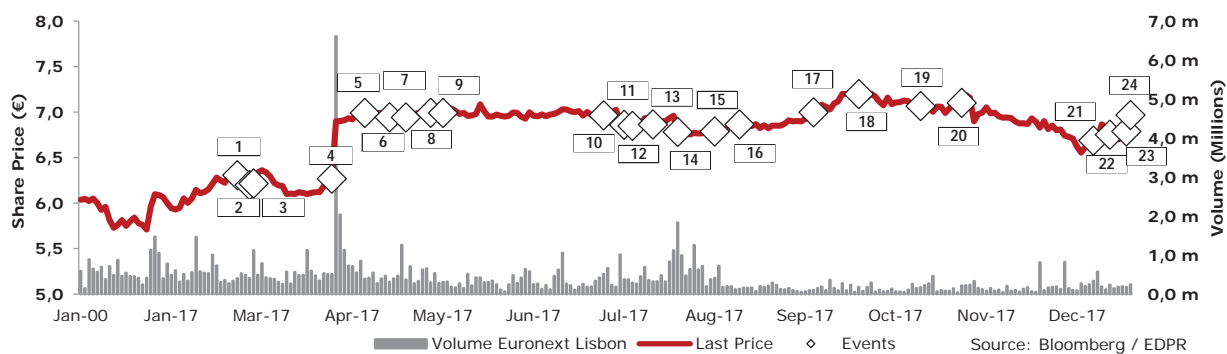
In 2017, EDPR share price closed at €6.97 with an average daily volume of 1.65 million shares.

EDPR has 872.3 million shares listed and admitted to trading in NYSE Euronext Lisbon. On December 29th, 2017 EDPR had a market capitalization of €6.1 billion, above the €5.3 billion at previous year-end, and equivalent to €6.97 per share. In 2017 total shareholder return was +16%, considering the dividend paid on May 8th of €0.05 per share.

Indexed EDPR share performance vs. PSI20 & SX6E



| EDPR IN CAPITAL MARKETS | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|
| Opening price (€) | 6.04 | 7.25 | 5.404 | 3.86 | 3.99 |
| Minimum price (€) | 5.71 | 5.70 | 5.3 | 3.87 | 3.58 |
| Maximum price (€) | 7.20 | 7.28 | 7.25 | 5.7 | 4.36 |
| Closing price (€) | 6.97 | 6.04 | 7.25 | 5.4 | 3.86 |
| Market capitalization (€ million) | 6,077 | 5,265 | 6,324 | 4,714 | 3,368 |
| Total traded volume: Listed & OTC (million) | 421.94 | 291.07 | 289.22 | 396.84 | 448.15 |
| ...of which in Euronext Lisbon (million) | 101.63 | 103.50 | 109.67 | 149.48 | 200.29 |
| Average daily volume (million) | 1.65 | 1.13 | 1.13 | 1.56 | 1.76 |
| Turnover (€ million) | 2,744.04 | 1,828.34 | 1,824.08 | 1,976.41 | 1,759.20 |
| Average daily turnover (€ million) | 10.76 | 7.11 | 7.13 | 7.75 | 6.9 |
| Rotation of capital (% of total shares) | 48% | 32% | 33% | 46% | 51% |
| Rotation of capital (% of floating shares) | 215% | 141% | 148% | 205% | 229% |
| Share price performance | 15% | -17% | 34% | 40% | -3% |
| Total shareholder return | 16% | -16% | 35% | 41% | -2% |
| PSI 20 | 15% | -12% | +11% | -27% | +16% |
| Down Jones Eurostoxx Utilities | 16% | -8% | -5% | +12% | +9% |



- | | |
|---|--|
| 1 Spanish interim regulatory revision for wind energy assets, 22-Feb | 13 EDPR established new Tax Equity structure in the US, 18-Jul |
| 2 EDPR sale a minority stake in PT assets to CTG, 27-Feb | 14 EDPR 1H17 Results release, 26-Jul |
| 3 EDPR FY16 Annual Results release, 28-Feb | 15 EDP notifies qualified shareholding in EDPR, 8-Aug |
| 4 EDP: General & Voluntary Tender Offer over EDPR shares, 27-Mar | 16 EDPR secures a 75 MW L-T contract in Indiana, US, 16-Aug |
| 5 EDPR Annual Shareholders' Meeting, 6-Apr | 17 EDPR JV is awarded with L-T CfD for 950 MW of wind offshore in UK, 11-Sep |
| 6 EDPR 1Q17 Volumes and Capacity Statement release, 18-Apr | 18 EDPR informs about change in corporate bodies, 26-Sep |
| 7 EDPR Board of Directors Report on EDP Tender Offer, 24-Apr | 19 EDPR 9M17 Volumes and Capacity Statement release, 17-Oct |
| 8 EDPR 1Q17 Annual Results release, 3-May | 20 EDPR 3Q17 Results release, 31-Oct |
| 9 EDPR payment of dividend (€0.05 per share), 8-May | 21 EDPR is awarded a L-T RESA for 248 MW of wind onshore in Canada, 14-Dec |
| 10 Completion of the sale of a minority stake in PT assets to CTG, 30-Jun | 22 EDPR is awarded with L-T contracts for 218 MW of wind in Brazil, 20-Dec |
| 11 EDPR sale a 23% stake in UK wind offshore project, 7-Jul | 23 EDPR announces 2018 Financial Calendar, 28-Dec |
| 12 EDPR 1H17 Volumes and Capacity Statement release, 11-Jul | 24 EDPR completed \$507m of TEI in the US for all its 2017 projects, 29-Dec |



1.3. ORGANIZATION

1.3.1. SHAREHOLDERS

EDPR shareholders are spread across 21 countries. EDP (“Energias de Portugal”) is the major one holding 82.6% of the share capital since the General and Voluntary Public Tender Offer closed in August 2017

EDPR total share capital is, since its initial public offering (IPO) in June 2008, composed of 872,308,162 shares issued with a nominal value of five euros each, fully paid. All these shares are part of a single class and series and are admitted to trading on the NYSE Euronext Lisbon regulated market.

MAJOR SHAREHOLDERS, THE EDP GROUP

The majority of the company’s share capital is owned by EDP Group, holding 82.6% of the share capital and voting rights, since the General and Voluntary Public Tender Offer closed in August 2017, where EDP Group acquired 5.03% of EDPR’s share capital and voting rights. EDP Group is a vertically integrated utility company, the largest generator, distributor and supplier of electricity in Portugal, has significant operations in electricity and gas in Spain and is one of the largest private generation group in Brazil through its stake in Energias do Brasil. In the Iberian Peninsula, EDP is the third largest electricity generation company and one of the largest distributors of electricity. EDP has a relevant presence in the world energy outlook, being present in 14 countries and close to 12,000 employees around the world. In 2017, EDP had an installed capacity of 26.8 GW, generating 70 TWh, of which 39% come from wind. EDP is part of sustainability indexes (DJSI World and Europe), following its performance in the economic, social and environmental dimensions. Its holding company, EDP SA, is a listed company whose ordinary shares are traded in the NYSE Euronext Lisbon since its privatization in 1997.

OTHER QUALIFIED SHAREHOLDERS

Besides the qualified shareholding of EDP Group, MFS Investment Management - an American-based global investment manager formerly known as Massachusetts Financial Services - communicated to CNMV in September 2013 an indirect qualified position, as collective investment institution, of 3.1% in EDPR share capital and voting rights.

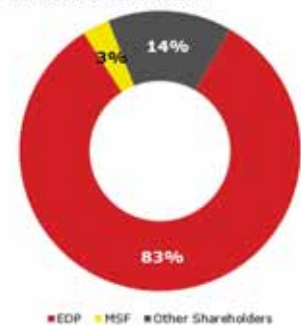
BROAD BASE OF INVESTORS

EDPR has an international base of investors. Excluding EDP Group, EDPR shareholders comprise more than 33,500 institutional and private investors spread worldwide. Institutional investors represent about 99% of EDPR investor base (ex-EDP Group), while the remaining 1% stand private investors, most of whom are resident in Portugal. Within institutional investors, investment funds are the major type of investor, followed by sustainable and responsible funds (SRI). EDPR is a member of several financial indexes that aggregate top performing companies for sustainability and corporate social responsibility.

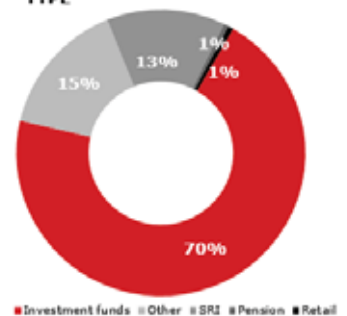
WORLDWIDE SHAREHOLDERS

EDPR shareholders are spread across 21 countries, being United States the most representative country, accounting for 32% of EDPR shareholder base (ex-EDP Group), followed by United Kingdom, Australia, France, Netherlands, Norway and Portugal. In Rest of Europe the most representative countries are Belgium, Switzerland and Sweden.

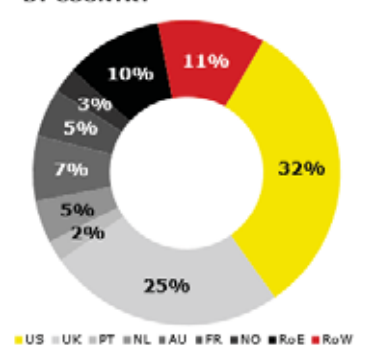
EDPR SHAREHOLDERS



SHAREHOLDERS (Ex-EDP) BY TYPE



SHAREHOLDERS (Ex-EDP) BY COUNTRY

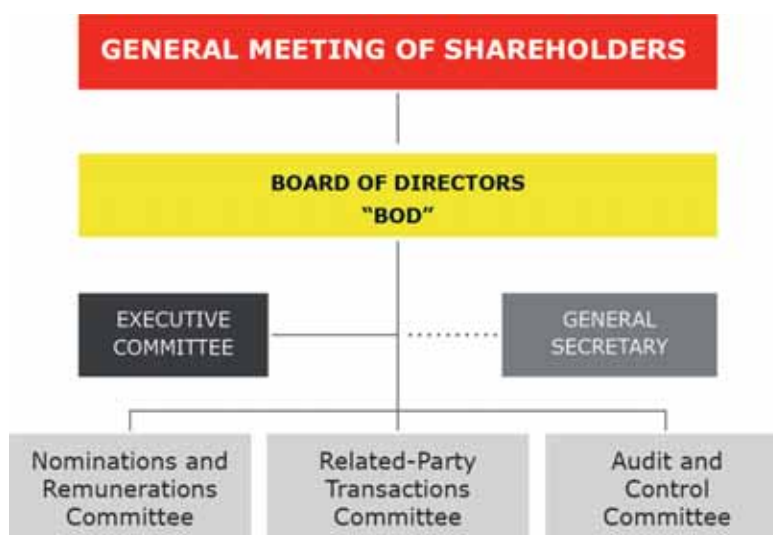


1.3.2. GOVERNANCE MODEL

EDPR's corporate governance model is designed to ensure transparency and accountability through a clear separation of duties between management and supervision of the company's activities.

Corporate governance is about promoting corporate fairness, transparency and accountability. EDPR's corporate governance structure specifies the shareholders, board of directors, managers and other stakeholders' rights and responsibilities and spells out the rules and procedures for making decisions on corporate affairs. It also incorporates the organization's strategic response to risk management.

The corporate governance structure adopted is the one in effect in Spain. It comprises a General Meeting of Shareholders and a Board of Directors that represents and manages the company. As required by the law and established in the company's articles of association, the Board of Directors has set up four specialized committees. These are the Executive Committee, the Audit and Control Committee, the Nominations and Remunerations Committee and the Committee on Related-Party Transactions.



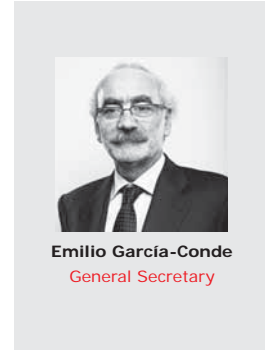
GENERAL SHAREHOLDERS' MEETING

General Shareholders' Meeting is the body where the shareholders participate, it has the power to deliberate and adopt decisions, by majority, on matters reserved by the law or the articles of association.

BOARD OF DIRECTORS



António Mexia
Chairman



Emilio Garcia-Conde
General Secretary



João Manso Neto
Vice-Chairman and CEO



Duarte Bello
COO Europe & Brazil



João Paulo Costeira
COO Offshore & CDO



Miguel Angel Prado
COO North America



Nuno Alves



João Lopes Raimundo



Jorge Santos
Chairman



João de Mello Franco
Chairman



José Ferreira Machado
Chairman



Manuel Menéndez



Allan J. Katz



António Nogueira Leite



Francisca Guedes de Oliveira



Gilles August



Francisco da Costa



Acácio Piloto

 Executive Committee

 Nominations and Remunerations Committee

 Audit and Control Committee

 Related-Party Transactions Committee

 Independent Member

BOARD OF DIRECTORS

EDPR's BoD shall consist of no less than 5 and no more than 17 Directors, including a Chairperson. Currently it is composed by 17 board members, out of which 10 are independent. BoD members are elected for 3 years period and may be re-elected for equal periods.

EDPR's BoD has the broadest power for the administration, management and governance of the company, with no limitations other than the responsibilities expressly and exclusively invested in the General Shareholders Meeting, in the company's articles of association or in the applicable law. Its members must meet at least 4 times a year, preferably once a quarter. Nonetheless, the Chairperson, on his own initiative or that of 3 Directors, shall convene a meeting whenever he deems fit for the company's interests.

EXECUTIVE COMMITTEE

EDPR's Executive Committee (EC) is composed by four members, including the Chief Executive Officer (CEO). The CEO, João Manso Neto, is empowered to ensure the daily management of the business and to coordinate the implementation of the BoD decisions and the Corporate and General Management functions, partially assigning those to the other executive officers.

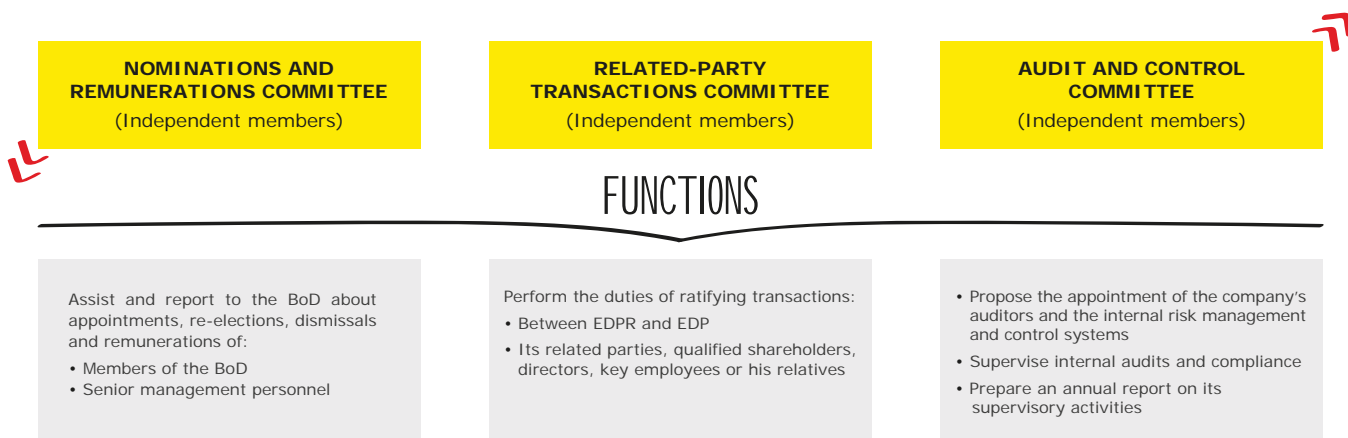
In 2017, EDPR approved the new composition and areas of responsibility of the Executive Committee in order to address the challenges faced by the Company, namely the fulfillment of the Business Plan targets and the increased importance of Offshore Wind business. As part of these organizational restructuring, it was agreed to appoint João Paulo Costeira as Chief Operating Officer Offshore ("COO Offshore") and Chief Development Officer ("CDO") of EDPR.

Likewise, the Board of Directors approved the proposal from the Nominations and Remunerations Committee for the appointment of both Duarte Bello and Miguel Angel Prado as members of EDPR's Executive Committee, and for their appointments as Joint Directors and as Chief Operating Officer of Europe & Brazil and Chief Operating Officer of North America respectively.

The COO of Offshore, COO of Europe & Brazil and the COO of North America coordinate their platforms by developing, establishing and implementing the strategic plan for the renewable energy business in their respective platforms, in accordance with the guidelines set by the BOD. They are also responsible for planning, organizing and managing resources, controlling, measuring and improving the management of projects and subsidiary companies to achieve expected results to make EDPR a leader in the renewable energy sector in their respective platforms.

**NOMINATIONS AND REMUNERATIONS, RELATED-PARTY
TRANSACTIONS AND AUDIT AND CONTROL COMMITTEES**

In addition to EC referred above, EDPR governance model contemplates permanent bodies, integrated all by independent members, with an informative, advisory and supervisory tasks independently from the BoD, such as:



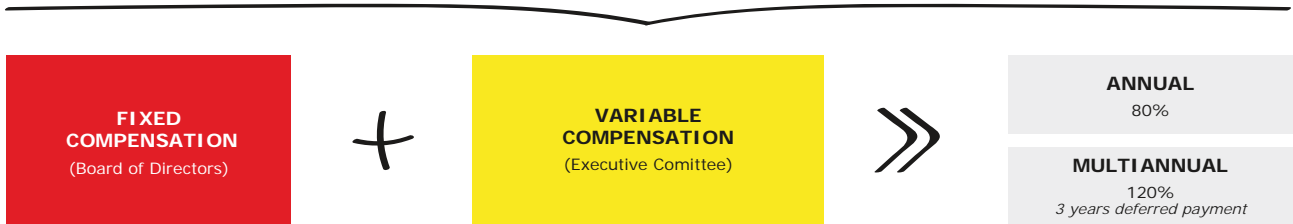


REMUNERATION POLICY

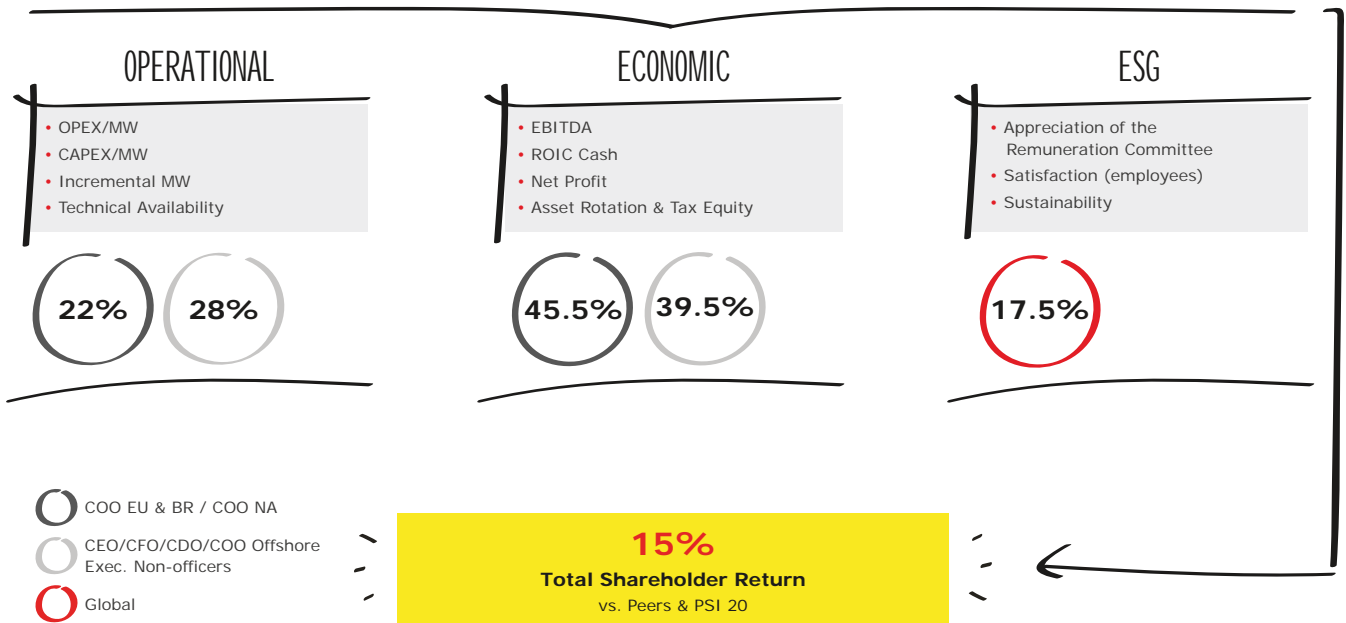
EDPR governance model is reinforced by an incentive structure with transparent remuneration through variable remuneration based on key performance indicators.

The graphic below describes the remuneration policy. For further information on the remuneration policy refer to the Corporate Governance section.

COMPONENTS



THE VARIABLE REMUNERATION 2017-19 IS DEFINED IN LINE WITH THE STRATEGIC PILLARS THROUGH 12 KPIS



Note: For COOs, KPIs have a weight of 80% and 68% for the calculation of the annual and multiannual variable compensation respectively. The remaining 20% and 32% are calculated based on a qualitative evaluation of the CEO about the annual performance.

For further detailed information regarding the responsibilities and roles of the different social bodies, as well as 2017 activity, please refer to the Corporate Governance section, at the end of this report. The company also posts its up-to-date articles of association and regulations at www.edpr.com.

1.3.3. ORGANIZATION STRUCTURE

The organization structure is designed to accomplish the strategic management of the company but also a transversal operation of all the business units, ensuring alignment with the defined strategy, optimizing support processes and creating synergies.

EDPR is organized around four main elements: a corporate center at the Holding and three business areas – Onshore Europe & Brazil, Onshore North America and Offshore platform.

Within EDPR Europe & Brazil platform, there are different business units, one for each of the countries where the company operates, namely Spain, Portugal, France/Belgium, Italy, Poland, Romania and finally Brazil.

Similarly, in the EDPR North America platform, there are three business units, that represent the operational regions in the continent: West, Central (includes Mexico) and East (includes Canada).

Finally, EDPR's Offshore business area is dedicated to Wind Offshore projects, namely projects in UK and France.



ORGANIZATIONAL MODEL PRINCIPLES

The model is designed with several principles in mind to ensure optimal efficiency and value creation.

| | |
|---------------------------|--|
| Accountability alignment | Critical KPIs and span of control are aligned at project, country, platform and holding level to ensure accountability tracking and to take advantage of complementarities derived from end-to-end process vision. |
| Client-service | Corporate areas function as competence support centers and are internal service providers to all business units for all geographical non-specific needs. Business priorities and needs are defined by local businesses and best practices are defined and distributed by corporate units. |
| Lean organization | Execution of activities at holding level are held only when significant value is derived, coherently with defined EDPR holding role. |
| Collegial decision-making | Ensures proper counter-balance dynamics to ensure multiple-perspective challenge across functions. |
| Clear and transparent | Platforms organizational models remain similar to allow for: <ul style="list-style-type: none"> • Easy coordination, vertically (holding-platforms) and horizontally (across platforms); • Scalability and replicability to ensure efficient integration of future growth. |



EDPR HOLDING ROLE

EDPR Holding seizes value creation, through the dissemination of best practices in the organization and the standardization of corporate processes to the platforms and the business units to improve efficiency. Its internal coordination model and interface with EDP group impacts both the company’s processes (activities performed, processes steps, inputs and outputs, and decision-making mechanisms) and the company’s structure, with an alignment of functions and responsibilities with the processes configuration.

The EDPR Holding structure was designed to accomplish two fundamental roles: **Strategic Management** and **Transversal Operation**.

Strategic Management covers to a) adopt a coordination model within the group, supporting the Executive Committee in the definition and control of the strategy policies and objectives; b) define specific strategic initiatives; c) review the accomplishment of the company’s business plan; d) define transversal policies, rules and procedures; e) control key performance indicators.

Transversal Operation deals to i) ensure the alignment of all the platforms with the defined strategy; ii) capture synergies and optimize support processes; and iii) systematically and progressively concentrate supporting activities in shared service business units with the group.

INTEGRITY AND ETHICS

Ethical behaviour is absolutely essential for the functioning of the economy. EDPR recognizes its importance and complexity, and is committed to address ethics and its compliance. But is employees’ responsibility to comply with ethical obligations.

GOVERNANCE MODEL FOR ETHICS

Ethics are the cornerstone of EDPR strategy, to the extent that EDPR has a Code of Ethics and an Anti-Corruption regulation that go beyond just defining the company principles to be adopted, but also how employees and any other service provider working on behalf of EDPR should behave when dealing with the company stakeholders. The Code of Ethics has its own regulation that defines a process and channels to report any potential incident or doubt on the application of the code. The Ethics Ombudsman is behind this communication channel, and to analyze and present to the Ethics Committee any potential ethical problem. The code is communicated and distributed to all employees and interested parties, and complemented with tailored training sessions.

HOW DO WE APPLY OUR CODE OF ETHICS?

EDPR’s Code of Ethics applies to all company employees, regardless of their position in the organization and working location, and they all must comply with. Our suppliers should be aligned with the spirit of our Code of Ethics, and this is reflected in our procurement policies. The Ethics Ombudsman plays an essential role in the ethics process. He guarantees impartiality and objectivity in registering and documenting all complaints of ethical nature submitted to him. He monitors their progress and ensures that the identity of the complainants remains confidential, while entering into contact with them whenever appropriate, until the case is closed.



MANAGEMENT REPORT 2017

In 2017 there was one communication to the Ethics Ombudsman through the Ethics Channel. However, it was decided to reject this claim as it was not considered as an issue related to the Code of Ethics.

The Code of Ethics has been widely circulated among employees of the Group through internal communications mechanisms, individual shipments, delivery to new employees, and intranet publishing. The Code of Ethics is also attached to the labour agreements of the new hires to their written acknowledgement when they join the Company. Likewise, in the Welcome Presentation organized every year for the new hires of EDPR, it is also explained the main contents of these documents, as well as the Ethics Channel existence and functioning. This information is also published on the Intranet and website of the Company.

ETHICS PROGRAM

There is a strong commitment by the Company in relation to the dissemination and promotion of compliance with the Code available to all employees through training, questionnaires, and open discussions of the findings. To this extent, from March to December 2016, EDP offered an online Ethics training ("Ética EDP") available to all employees of both Europe/Brazil and North America platforms. This course achieved a major participation of around 900 EDPR employees. This type of training will be performed periodically.

ANTI-CORRUPTION REGULATION

In order to ensure compliance with the standards of Anti-Corruption Regulation in all geographies where EDPR operates, the Company has developed an Anti-Corruption Policy of application to all EDPR Group, which was approved by its Board of Directors on December, 2014, and updated in 2017.

This Anti-Corruption Policy implies a series of procedures regarding the relationships of EDPR employees with external parties, namely the approval of certain actions regarding hospitality to and from external parties, charitable donations, and sponsorships. The Anti-Corruption Policy is available at the Company's website and intranet, and it is also attached to the labour agreements of the new hires to their written acknowledgement when they join the Company. Likewise, in the Welcome Presentation, the main contents of these documents and its functioning are also explained.

In addition, EDPR has no knowledge of any contingencies related to environment, labour practices or human rights.

EMPLOYEE RELATIONS

EDPR is committed to respect freedom of trade union association and recognises the right to collective bargaining.

At EDPR, from 1,220 employees, 20% were covered by collective bargaining agreements. Collective bargaining agreements apply to all employees working under an employment relationship with some companies of EDPR group, regardless of the type of contract, the professional group into which they are classified, their occupation or job. However, matters relating to the corporate organization itself, the laws of each country or even usage and custom in each country result in certain groups being expressly excluded from the scope of collective bargaining agreements.

The collective bargaining agreements that are applied at EDPR are usually negotiated at state level or regional level, and EDPR may be just one of the players among other leading sectorial companies in the negotiation with employees' representatives, and in some cases, governmental representatives. In Portugal and Brazil, EDP negotiates its own agreements with employees, and those apply to all employee working for companies of the group, including EDPR.

During the last years, EDPR has performed different benchmark analysis of the benefits stated at the different collective bargaining agreements that apply to our employees, comparing them against the benefits offered by the company and, in general terms, the company offers a more competitive benefits package compared to what is stated in the collective bargaining agreement.

2 Strategy

Business Environment

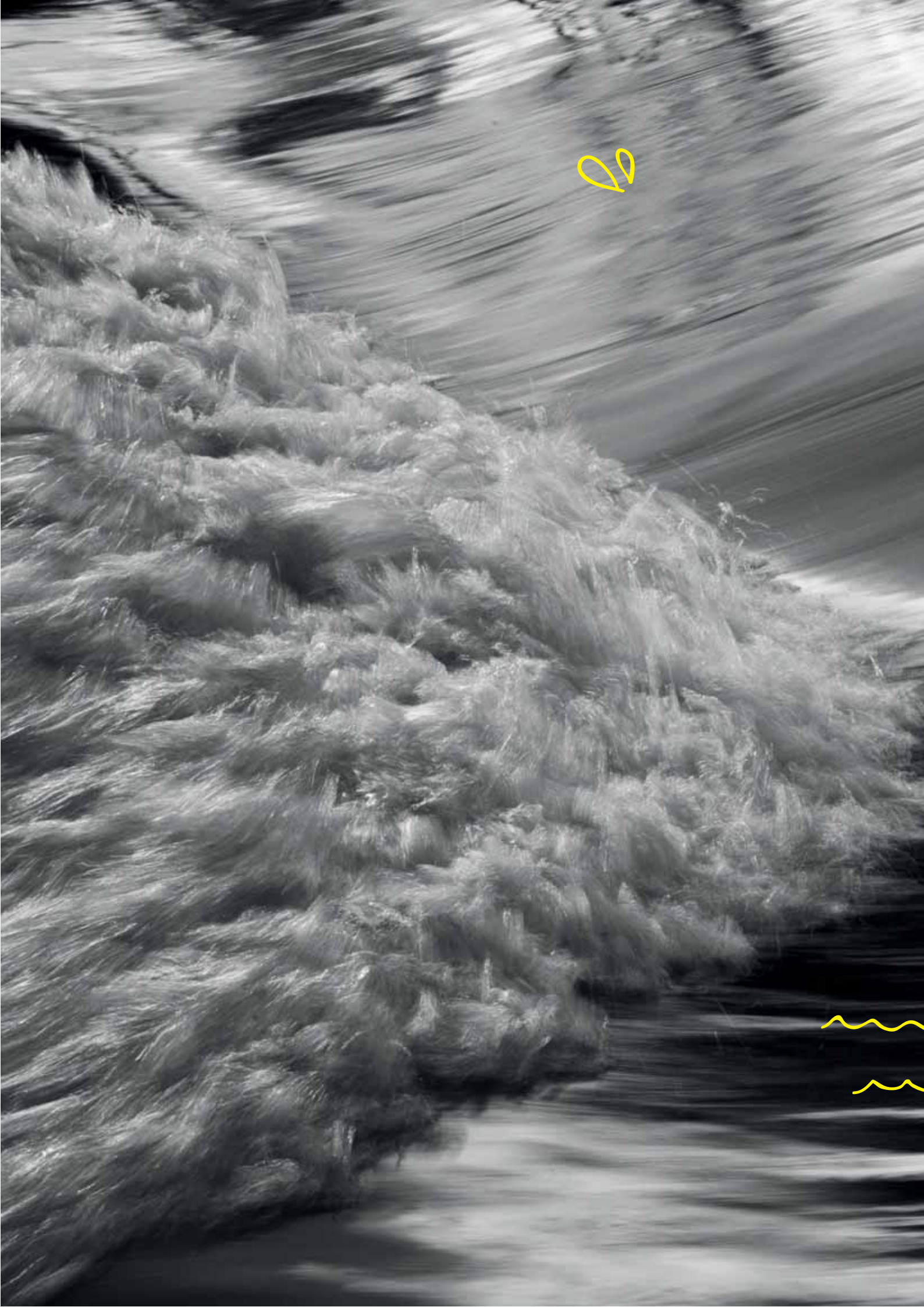
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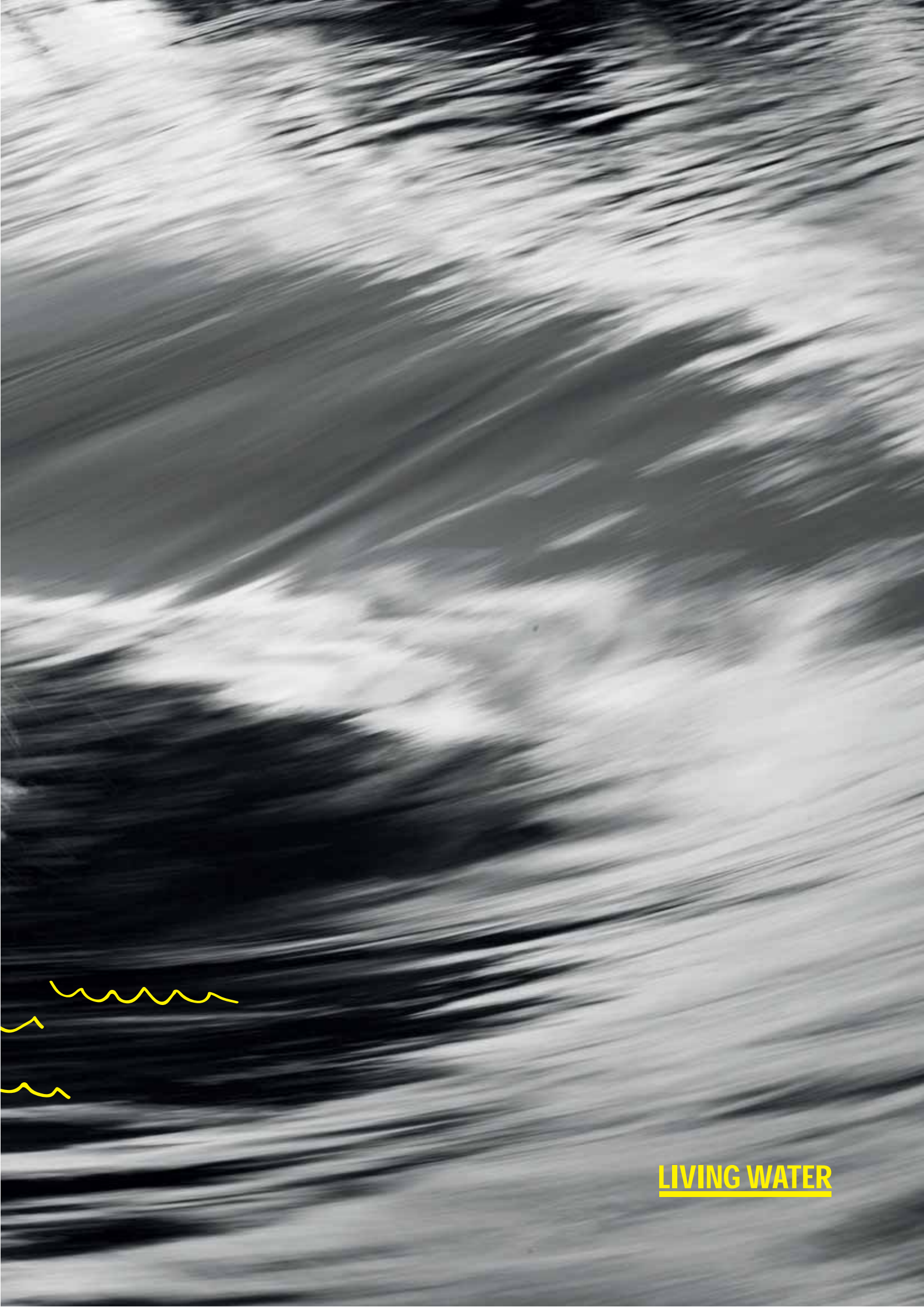
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LIVING WATER

THE

LIVING

ENERGY

BOOK





02 STRATEGY

2.1. BUSINESS ENVIRONMENT

2.1.1. RENEWABLE ENERGY; A RESPONSE TO CLIMATE CHANGE

CLIMATE CHANGE WARNING SIGNS AND THE URGENCY FOR A LOW CARBON ECONOMY

The Earth's climate has been changing at an unprecedented scale in the last century. The fifth Intergovernmental Panel on Climate Change report states that the current warming trend can be largely attributed to human activity with a probability higher than 95%. The World Meteorological Organization confirmed in January 2018 that the last three years were the warmest ones on record: 2016 holds the global record, whilst 2017 was the warmest year without the El Niño effect and was followed by extreme weather around the world.

As it stands, the world is on track to massively miss the goals set forth in the Paris Agreement, with around 1.1° C of global average temperature rise¹ already witnessed since the pre-industrial era. To remain within the Paris Agreement boundaries, the world can only afford around 0.4° C to 0.9° C of additional average warming. Current country pledges, also known as “Nationally Determined Contributions” (NDCs), could lead to an emission decline in the coming years, but are not sufficient to reach the goals, as under the current policy pathway the rise in temperature would range between 2.6° C and 3.2° C by the end of the century according to Climate Action Tracker ².

Around 66% of all greenhouse gas emissions comes from energy generation and use, which highlights the need to decarbonize the energy sector to effectively mitigate climate change. In particular, the impact of the electricity sector is quite significant as it is by far the largest source of CO₂ emissions, accounting for about 40% of all energy-related emissions. Therefore, to achieve the targets set by the Paris Agreement, the sector needs a resounding transformation from fossil-based to clean energy generation. The transition towards a clean power sector is particularly relevant in the context of electrification of the economy especially of the heating and transportation sectors. Electric vehicles represent one of the most promising technologies for the electrification and decarbonisation of the transportation sector and according to Bloomberg in 20 years the sales of electric vehicles could surpass the ones from internal combustion vehicles. The mass adoption of electric vehicles would result in a paradigm shift for both transportation and power sectors: on one hand, it would boost electricity demand; on the other hand, since renewables tend to be intermittent by nature as they are dependent on weather conditions, the possibility of the electric vehicle to function as a storage unit able to return electricity to the grid, would help to compensate and integrate a larger share of renewable sources.

RENEWABLES IS THE KEY FOR THE TRANSFORMATION

According to the International Renewable Energy Agency (IRENA), renewable energy, coupled with energy efficiency gains, can provide 90% of the CO₂ emissions reductions needed by 2050 to stay within the Paris Agreement boundaries. In this scenario, renewable technologies could generate more than 80% of all electricity by 2050, including a 52% share from wind and solar which would have to grow from today's approximately a 5.5% share. The leading role of renewables

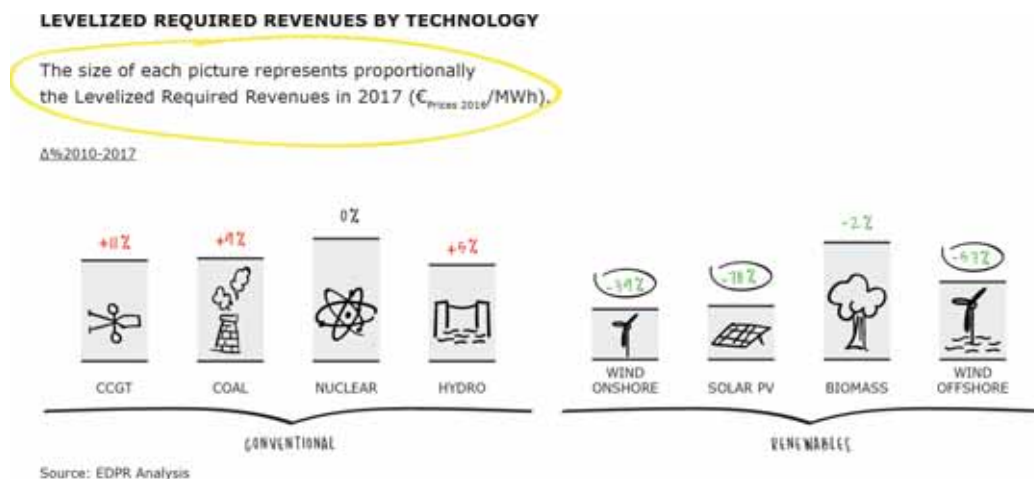
¹ Data source: NASA

² The Climate Action Tracker (CAT) is an independent scientific analysis produced by three research organizations tracking climate action: Climate Analytics, Ecofys and NewClimate Institute

has been noticed by governments around the world and most countries have included renewable energy targets in their NDCs; from the 194 signatory countries of the United Nations Framework Convention on Climate Change that submitted NDCs, 145 referred to renewables as an effective way to mitigate climate change and 109 set specific renewable energy targets. At least 1.3 TW of renewable capacity is expected to be added globally by 2030 from NDC implementation, which means a 76% increase. Although current NDCs are not enough to achieve the Paris Agreement’s targets, the so-called “ratchet mechanism”, designed to periodically raise NDCs’ ambition, could eventually align them with the required 2° C target.

THE TRANSITION IS POSSIBLE IN A NATURAL WAY

A clean energy revolution is naturally underway not only because it is sustainable but also because it makes economic sense; onshore wind and solar PV costs have been declining and these technologies are now among the cheapest sources of energy in a growing number of countries, as highlighted by Lazard, Bloomberg New Energy Finance and IRENA. The competitiveness of renewables has been clearly evidenced in 2017 with wind (onshore and offshore) and solar PV’s tenders beating a record of low prices all around the globe.



The awareness that renewables makes sense is increasingly growing in all sectors. Corporations, for instance, have been signing Power Purchases Agreements (PPA) with renewable generators in order to fill their electricity needs. Renewables represent now an increasingly share of new investments in power-generating facilities³ and according to BNEF, renewable energy sources are set to represent almost 75% of the investments in new power generation technologies until 2040. Not surprisingly, Europe’s major utilities pledged to become carbon-neutral “well before 2050” and even several oil and gas major companies have significantly increased their investment in renewables during the recent years. Funding institutions are also stepping back from fossil fuel projects; the World Bank announced in December 2017 that it would cease to finance upstream oil and gas after 2019 and investment funds, such as the Norway’s wealth fund, banks and pension funds have announced similar pledges. Likewise, global green bond⁴ issuance hit a record of USD 155.5 billion in 2017 and could reach USD 250-300 billion in 2018, according to a research from the Climate Bonds Initiative.

According to a study published by IRENA in January 2018, the EU could double the renewables’ share in its energy mix, cost effectively, even without considering the economic value associated with health and environmental benefits. The share could rise to 34% in the total energy mix and up to 50% in the electricity mix (compared to 29% in 2015).

³ According to Bloomberg, global clean energy investment in 2017 was the second highest ever at USD 333.5 billion and representing an annual increase of 3%
⁴ Debt instruments to be used for projects that promote climate and environmental sustainability purposes



2.1.2. THE EVOLUTION OF RENEWABLES AROUND THE WORLD IN 2017

WIND

Wind power capacity additions in the **World** amounted to 52.6 GW in 2017, 3.7% below the previous year, reaching a total capacity of 539.6 GW, according to Global Wind Energy Council (GWEC).

In **Asia**, China remained the undisputed world's wind power leader, connecting 19.5 GW, a slight decrease compared to 2016's additions (23.3 GW), rising its total wind capacity to 188.2 GW. 2017 was also a strong year for India that installed 4.1 GW, cementing its position as fourth largest wind market in the world.

Regarding **North America**, the US was the world's second player in capacity additions, with 7.0 GW installed in 2017, fuelled by Texas (2.3 GW), Oklahoma (0.9 GW), Kansas (0.7 GW), New Mexico (0.6 GW) and Iowa (0.4 GW). Cumulative capacity reached 89.1 GW with Texas remaining the leader with 22.6 GW, over than three times more than any other state. Canada and Mexico had both modest years in terms of new capacity, with only 0.3 GW and 0.5 GW respectively.

In **Europe**, 2017 was a record year for both onshore and offshore installations, with 16.8 GW of new capacity coming online (onshore and offshore), an increase of 21% versus the previous year. Germany remained the most dynamic market, connecting 6.6 GW and representing 39% of all of Europe's new capacity. Six more EU countries had also a record year in terms of additions: namely the UK (4.3 GW), France (1.7 GW), Finland (0.6 GW), Belgium (0.5 GW), Ireland (0.4 GW) and Croatia (0.1 GW). With these results, Germany sealed its place as the EU country with the largest installed wind power capacity (56.1 GW), followed by Spain (23.2 GW), the UK (18.9 GW) and France (13.8 GW).

Concerning **Latin America**, Brazil had an outstanding year, adding 2.0 GW of installed capacity but for the remaining countries in the region it was a rather quiet year. **Other emerging economies** that achieved good results in capacity additions were South Africa (0.6 GW), Thailand and Pakistan (0.2 GW each).

2017 was also the best year ever for **offshore wind**, with Europe installing 3.2 GW, a 25% growth versus 2016, achieving a cumulative capacity of 15.8 GW, being this surge propelled by the UK and Germany, which added 1.7 GW and 1.2 GW, respectively. The sector remains highly concentrated in a few countries, with the UK, Germany, Denmark, Netherlands and Belgium representing a 98% share of the total installed capacity. 2017 will undoubtedly be remembered as a landmark year for the offshore wind industry also because the first floating offshore wind farm (30 MW) was connected in the coast of Scotland. China and other countries in Asia are also showing some progress; according to Platts, China installed 1.2 GW in 2017, bringing its total offshore capacity to 2.8 GW, while Japan, South Korea and Taiwan only saw small additions. Offshore wind is also starting to kick-off in the US.

SOLAR

Solar PV market grew by 26% in 2017, making it the best year ever, with 99 GW of capacity additions, according to GTM Research.

China surpassed the astonishing milestone of 50 GW, installing around 52 GW according to China's National Energy Administration, a record figure never seen before and clearly above expert's estimates.

According to GTM Research, the **US** added 11.8 GW of solar PV in 2017, a 22% decline versus 2016, due to the spike in installations in 2016 from projects scheduled to come online before the expected drop-down of the ITC.

Europe added 8.6 GW in 2017, according to Solar Power Europe, representing a year-on-year growth of 28%. The big surprise came from Turkey which installed 1.8 GW of solar technology, overtaking Germany (1.75 GW) as Europe's most dynamic solar market. France and the Netherlands also showed signs of progress, adding 0.9 GW each.

2.1.3. SUPPORTIVE POLICY INSTRUMENTS

A wide range of remuneration schemes has traditionally supported Renewables' projects. However, the most frequent schemes are:

- **FEED-IN TARIFF (FIT) SYSTEMS:** most popular scheme due to its simplicity and visibility for investors, where generators receive either a fixed payment for each unit of electricity generated regardless of the market price, or a payment on top of the market price ("Feed-in premium" and "Contract-for-difference" schemes).
- **QUOTA OBLIGATIONS:** on top of the market price, generators receive certificates for their final energy ("Green Certificates" or "GC") which can be sold to the off-takers obliged to fulfill a specific quota (a share of energy that must come from renewable sources), therefore providing additional income to the generators.
- **TENDERS AND AUCTIONS:** are becoming increasingly popular, they do not represent a support category per se as they are used to allocate financial support to different renewables technologies and to determine the support level of other types of support schemes, such as feed-in systems, in a competitive bidding procedure.
- **OTHER:** includes investment grants, low interest loans and tax exemptions to support renewables.

The table below describes the overall current regulation in the geographies where EDPR operates.

| COUNTRY | SHORT DESCRIPTION | COUNTRY | SHORT DESCRIPTION |
|---|--|---|---|
|  US | <ul style="list-style-type: none"> • Sales can be agreed under PPAs (up to 20 years), Hedges or Merchant prices • Renewable Energy Credits (REC) subject to each state regulation • PTC (wind-projects): collected for 10-years since COD (\$24/MWh in 2017). Phase out for projects that start construction post 2016 (no PTC post 2019 projects). Projects have 4 years to be placed in service in order to qualify • ITC: 30% ITC for solar projects and new wind-projects can opt for ITC instead of PTC. Phase out for wind projects follows a similar scheme of the PTC. Phase out for solar projects (projects put in place after 2023 will qualify for just 10% ITC) |  United Kingdom | <ul style="list-style-type: none"> • Market price plus Green Certificate ("Renewable Obligation Certificate") system in place since 2002 • The GC system closed in 2017, being gradually replaced by a Contract-for-Difference scheme awarded through competitive tenders |
|  Canada | <ul style="list-style-type: none"> • Feed-in Tariff (Ontario) • Renewable Energy Support Agreement (Alberta) • Duration: 20-years |  Belgium | <ul style="list-style-type: none"> • Market price plus Green Certificate (GC) system • Separate GC prices with cap and floor for Wallonia (€65/MWh-100/MWh) • System to adjust the number of GC per MWh according to a predefined profitability level • Option to negotiate long-term PPAs |
|  Mexico | <ul style="list-style-type: none"> • Technological-neutral auctions (opened to all technologies) in which bidders offer a global package price for the three different products (capacity, electricity generation and green certificates) • EDPR project: bilateral Electricity Supply Agreement under self-supply regime for a 25-year period |  Poland | <ul style="list-style-type: none"> • Electricity price can be established through bilateral contracts or selling to distributor at regulated price (162.5 PLN/MWh for 4Q 2017) • Wind receive 1 GC/MWh which can be traded in the market. Electric suppliers have a substitution fee for non compliance with GC obligation. From Sep-17 onwards, substitution fee is calculated as 125% of the average market price of the GC from the previous year and capped at 300PLN |
|  Spain | <ul style="list-style-type: none"> • Wind energy receives pool price and a premium per MW, if necessary, in order to achieve a target return established as the Spanish 10-year Bond yields plus a reasonable spread. The so called reasonable spread for the first regulatory period has been defined as 300 bps. • Premium calculation is based on standard assets (standard load factor, production and costs) • Since 2016, all the new renewable capacity is allocated through competitive auctions |  Romania | <ul style="list-style-type: none"> • 15-years green certificate (GC) scheme with a cap and floor currently at €29.4 and €35 respectively: • Wind-farms prior to 2013 receive 2 GC/MWh up to 2017 with postponement of 1 GC/MWh from July 1st 2013 to March 31st 2017, with gradual recovery from 2018 to 2025. From 2018 onwards will receive 1GC/MWh • Solar plants prior to 2013 receive 6 GC/MWh up to 2017 with postponement of 1 GC/MWh from July 1st 2013 to March 31st 2017, with gradual recovery from 2018 to 2025. From 2018 onwards will receive 1GC/MWh • Wind-farms post 2013 receive 1.5 GC/MWh until 2017 and 0.75 GC/MWh from 2018 onwards • Solar plants post 2013 receive 3 GC/MWh from 2014 onwards |
|  Portugal | <ul style="list-style-type: none"> • Old regime (before 2006): Feed-in Tariff (FIT) inversely correlated with load factor throughout the year. Duration: 15 years for a FIT updated monthly with inflation, through the later of 15 years of operation or 2020. Following agreement of the wind sector with the government in 2012, wind generators were offered the possibility to extend FIT's duration in exchange of annual payments between 2013 and 2020 • New regime (after 2006): price defined through competitive tenders |  Italy | <ul style="list-style-type: none"> • Wind farms in operation prior to the end of 2012 are remunerated under a pool + premium scheme applicable for the first 15 years of operation • Wind farms commissioned from 2013 onwards: competitive tenders for a 20-year CfD scheme, implemented as a floor in the wind farm electricity price, conducted as reverse auctions where operators bid on the amount of the deduction on the pre-defined base amount |
|  France | <ul style="list-style-type: none"> • Until 2016: Feed-in Tariff for 15 years: • First 10 years: receive €82/MWh; inflation type indexation • Years 11-15: depending on load factor receive €82/MWh @2,400 hours decreasing to €28/MWh @3,600 hours; inflation type indexation • Since 2017: large-scale wind projects need to participate in competitive auctions in order to be granted a 20-year CfD |  Brazil | <ul style="list-style-type: none"> • Old installed capacity under a feed-in tariff program ("PROINFPA") • Since 2008, competitive auctions awarding 20-years PPAs |



2.1.4. REGULATION OVERVIEW

EU REGULATORY DEVELOPMENTS

EU EMISSIONS TRADING SYSTEM (EU ETS) REFORM

The EU ETS is a key pillar of European climate policy since its implementation in 2005. The system works by putting a limit on overall emissions from covered installations (power sector and energy intensive industry), which is reduced each year. Within this limit, companies can buy and sell emission allowances as needed.

In November 2017, the European Parliament and Council of the European Union reached a provisional agreement to revise the EU ETS for the period 2021-2030 ("Phase IV"). This revision is aimed at putting the EU on track to achieving a significant part of its commitment under the Paris Agreement to reduce greenhouse gas emissions by at least 40% by 2030.

The key reforms agreed by the Parliament and Council included measures to enhance the EU ETS resilience and speed up emissions reductions along with additional safeguards to protect the EU industry against the risk of carbon leakage.

Formal agreement and endorsement by both co-legislators is expected for early 2018. Most analysts expect that these reforms will tighten the market surplus, pointed out as one of the main reasons for a depressed carbon price over the last years.

CLEAN ENERGY FOR ALL EUROPEANS

In November 2016, the European Commission (EC) presented a new package of measures with the goal of providing a stable legislative framework to facilitate the clean energy transition. This regulatory package aims to create a more competitive and sustainable EU energy sector, while compatible with the Paris Agreement commitments.

The package consists of eight legislative proposals, including a new "Renewable Energy Directive", the "New Market Design Initiative" and the "Energy Union Governance Regulation" and, together with four non-legislative documents and nine other reports and initiatives.

In 2017, considerable progress was made in different fields that would impact the future of renewables in Europe.

Concerning the Renewables Directive and the Governance regulation, the European Parliament, who advocates for a more ambitious package of reforms, voted in January 2018 for a for a 35% EU-wide renewable energy target for 2030, increasing the overall ambition of renewables deployment in Europe when comparing with the 27% proposed by the European Commission that reflects the conclusions of the Council of the European Union of October 2014 "2030 Climate and Energy Policy Framework". Although the final target remains to be agreed, it will likely be binding only at EU-level. However, on the positive side, Member States (MS) will be required to submit "National Plans" in which they would need to set self-defined renewable energy targets. At this regard, the Energy Council also agreed to set three indicative intermediate benchmarks in the next decade.

Some other recent positive developments have been welcomed by the renewable industry. On the one side, EU MS agreed to (i) give three years' visibility on the volume and budget of public support schemes for renewables and (ii) to avoid any retroactive measure affecting renewable support. The Energy Council also agreed to allow technology-specific auctions. Finally, MS will be required to remove barriers to Corporate Power Purchase Agreements.

Renewables are also key to the **Electricity Market Design Initiative**, with the Energy Council agreeing that renewables should have full and equal access to balancing and ancillary markets, while maintaining priority of dispatch for existing renewables' facilities (new facilities would be subject to a system of curtailment and compensation). The European Parliament will vote its amendment during the first quarter of 2018. Trilogue negotiations between the institutions (EC, Council and Parliament) in view of final agreements are expected to occur all year round.

EUROPE AND BRAZIL; REMUNERATION FRAMEWORKS

This chapter describes the most relevant recent regulatory developments in the European-Brazilian countries where EDPR is present (for additional information, please refer to Note 01 of EDPR Consolidated Annual Accounts).



SPAIN

Since 2016, in line with the European regulation, all the new renewable capacity in Spain is allocated through auctions. The regulatory scheme is designed to provide a similar remuneration scheme to the one that applies to previous installations (ruled by RD 413/2014). Following this framework, tender participants are requested to bid discounts to the standard value of the "initial investment" parameter which determines the "investment premium", that would eventually be awarded.

In 2017, two auctions were held. The first one was in May and unlike previous auctions, it was technology neutral as different renewable technologies were allowed to compete. Nearly all the capacity was awarded to wind projects (2,979 MW out of 3,000 MW) and the remaining capacity was awarded to solar photovoltaic (PV) installations and "other technologies" representing 1 MW and 20 MW, respectively. The auction was very competitive and oversubscribed with all the winning participants bidding the maximum discount. Following the outcome of this tender, the Spanish government decided to launch an additional tender for a maximum of 3 GW, which was held in July and opened to wind and solar PV exclusively. The royal decree ruling the tender (RD 650/2017) included the possibility to increase the allocated capacity to all capacity bidding the same discount, provided it would not create an over cost to the system. Following this clause, all the capacity that offered the maximum allowed discount was awarded. Overall, 5,037 MW were awarded with solar PV power generators being the biggest winners with 3,909 MW compared to 1,120 MW from wind.

In November, the European Commission (through the Directorate-General for Competition) endorsed the Spanish support scheme for renewables, the RD 413/2014, which regulates the generation of electricity from renewable energy, cogeneration and waste. As such, the EU Commission confirmed that the Spanish support scheme for renewables is in line with the 2014 European State Aid Guidelines.



PORTUGAL

In August of 2017, the Portuguese government approved the Order 7087/2017 tightening the authorization process for new repowering and additional capacity, introducing in particular, the obligation for the Directorate-General for Geology and Energy to consult the electricity regulator that will have to assess its impact to the electricity system. The amendments to the decree ruling the repowering authorization process are still pending to be published.



FRANCE

A new contract-for-difference (CfD) scheme was released in December 2016, although existing projects still benefiting from the former feed-in tariff scheme. The new scheme obtained clearance from the European Commission, who confirmed that it was in line with the European "Guidelines on State aid for environmental protection and energy 2014-2020". According to this new scheme, wind farms having requested a PPA in 2016 would receive a 15-year CfD, being the strike price and the terms of the tariff very similar to the previous feed-in tariff. From 2017 onwards, wind farms of more than 6 wind turbines (and more than 3 MW per turbine) need to participate in competitive tenders in order to obtain a 20-year CfD, the first tender was held in November 2017. The calendar of auctions until 2020 has been announced by the regulator and up to 3 GW of wind are expected to be tendered in this period, with two tenders of 500 MW each year. On the other hand, wind farms with a maximum of 6 wind turbines (and a maximum of 3 MW per turbine) do not need to participate in tenders. Wind farms of these characteristics having requested a PPA in 2017 are entitled for a 20-year CfD with a strike price ranging between €72/MWh and €74/MWh, depending on rotor size.

In December 2016, France launched a call for the third offshore wind tender, expected to be held in 2018, for a 400-600 MW project in the coast of Dunkirk.

**ITALY**

On November 2017, the Strategia Energetica Nazionale (National Energy Strategy), known by the acronym SEN, was presented after several months of public consultation. The SEN announced the complete phase-out of coal power generation by 2025 (five years ahead in comparison with the previous announcement), highlighting the renewables' role and calling for renewable energy to reach a 28% of energy consumption in 2030 from 17.5% in 2015. This strategy also stated that electricity from renewable sources should account for 55% in 2030, considerably above the 33.5% figure in 2015. Regarding the large-scale renewables' support, competitive auctions for fixed tariffs seems to remain in place through 2020 and long-term PPAs taking over after that.

**POLAND**

In August 2017 a new methodology to calculate the substitution fee was approved. According to the new formula, the substitution fee will be calculated every year as 125% of the previous year average market price of the Green Certificate ("GC"), capped at 300 PLN. This new methodology implies a reduction of the substitution fee, previously set at 300 PLN, in particular due to current low prices of GCs.

Also in August, a new ordinance setting the new GC quotas for 2018 and 2019, was approved with the new quotas being defined at 17.5% for 2018 and 18.5% for 2019. In December the European Commission (through the Directorate-General for Competition) endorsed the Polish support scheme for renewables (2015/16 RES Act).

**ROMANIA**

In March 2017, the Government Emergency Ordinance 24/2017 (the so-called "EGO 24/2017") amending Law 220/2008 was published. The main features of this ordinance are: (i) extension of the GC scheme until 2031 and of the GC validity until March 2032; (ii) approval of a new methodology for the GC quota calculation; (iii) removal of the indexation of the GC parameters (GC floor would remain fixed at €29.4 and GC cap would not only lose indexation but also be reduced to €35); (iv) extension of the GC recovery for wind energy from 2018 to 2025 (included) and extension of the GC postponement for solar PV until the end of 2024 and recovery from 2025 to 2030 (included) and (v) creation of an anonymous centralized platform to trade GC (from September 2017 GCs could only be traded there) and also of an anonymous market to sell energy together with GCs.

**UNITED KINGDOM**

In September, the Department for Business, Energy & Industrial Strategy (DBEIS) and National Grid, published the results of the second CfD allocation round. In this round, a total of 3.3 GW of capacity awarded across eleven projects, including three wind offshore projects. EDPR's Moray East offshore project was awarded a 15-year CfD for the delivery of 950 MW wind generation at £57.50/MWh (2012 tariff-based), to be delivered starting in 2022-2023.

In October, DBEIS announced that an amount of £557 million would be available for Pot 2 CfD auctions for less established technologies, with the next auction taking place in spring 2019.

**BRAZIL**

Two reverse auctions where wind projects could participate were held in December 2017. In the first reverse auction, 891 MW of projects secured contracts: 791 MW were solar PV projects and only 64 MW were wind. The second auction had 3.8 GW of projects awarded, including 1.4 GW of new wind power to start operations in January 2023 at an average R\$98.62/MWh, a record low price for this technology in the country. EDPR secured 219 MW, for two wind projects for a 20-year period at an initial price of R\$99 and R\$97/MWh (indexed to the Brazilian inflation).

NORTH AMERICA; CONTINUE LEADING THE WAY

Historically, the typical framework for wind and solar developments in the US has been decentralized, with no national feed-in tariff, resulting in a combination of three key top line drivers:

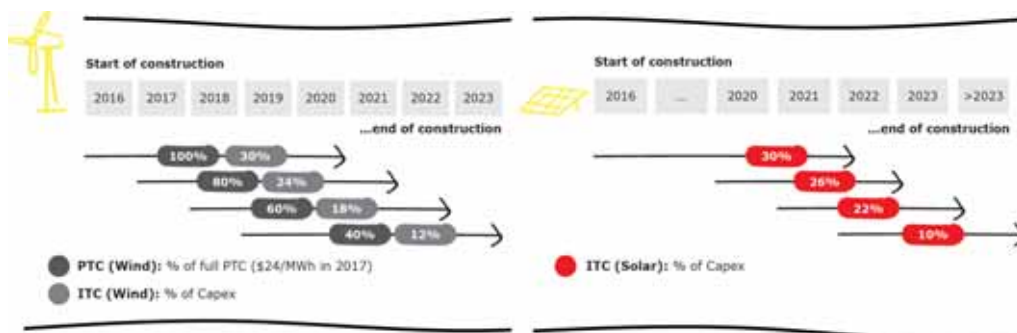
- PTCs: Production Tax Credits are the dominant wind incentives in the US and represent an extra source of revenue per unit of electricity generated (\$24/MWh in 2017), over the first 10 years of the asset’s life.
- ITCs: Investment Tax Credits equals to 30% of the initial capex and are the primary solar incentives.
- PPAs: long-term, bilateral Power Purchase Agreements by which a renewable developer can sell its output to another company at a fixed price, usually adjusted for an agreed escalator.

In addition, many states have passed legislation, mainly in the form of Renewable Portfolio Standards (RPS), that require utilities to purchase a certain percentage of their energy supply from renewable sources, setting penalties to those that do not accomplish. Typically, states use Renewable Energy Credits (RECs) as the compliance mechanism. Utilities or other subject entities are required to procure enough RECs to meet their obligations under the RPS. Utilities can choose to invest directly in renewable generation assets and generate a REC for each unit of renewable energy produced or, alternatively, can purchase RECs produced by other renewable generators either through long-term bilateral contracts or in the secondary market. As a result, many utilities set up auction systems to seek long-term power purchase agreements with renewable energy generators by which they procure renewable energy and RECs.

The relevant recent regulatory developments in North America are below described (for additional information, please refer to Note 01 of EDPR Consolidated Annual Accounts).

 **UNITED STATES**

On December 2015, the US Congress approved the "Consolidated Appropriations Act, 2016" that included an extension of the PTC for wind (including the possibility of a 30% ITC instead of PTC) and an extension of the ITC for solar. As part of the extensions, Congress also introduced a phase out of the credits. Wind projects that start construction in 2020 or later will not be eligible for the PTC or ITC and solar projects placed in service after 2023 will qualify for just 10% ITC. On May 2016, the US Internal Revenue Service (IRS) issued guidance that wind farms have 4 years from their start of construction to be placed in service and qualify for the PTC. As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC. The IRS ruling also includes a provision that allows developers to secure the PTC if 5% of a project's capital components by dollar value are safe harbored in a given year and construction is completed within 4 years. Thus, if a developer safe harbors 5% of project Capex in 2016 for a given project, the project will qualify for the 100% PTC if construction is completed by year-end 2020. The graphic below depicts the phase-out calendar:





Regarding RPS, some states have upgraded their targets in 2015-2017; California and New York both upgraded their RPS standards to target 50% renewables by 2030, Oregon upgraded their RPS to 50% by 2040, Vermont enacted an RPS of 75% by 2032, Michigan upgraded their RPS to 15% by 2021, the District of Columbia increased and extended its RPS to 50% by 2032, Maryland increased and accelerated its RPS to 25% by 2020 and Rhode Island increased and extended its RPS to 38.5% by 2035. Illinois supplemented its existing RPS standard by passing an energy bill to require utilities to source at least 4 TWh of new wind and 4 TWh of new solar by 2030. Massachusetts also supplemented its existing RPS by creating requirements for offshore wind and solar procurement. RPS obligations as a percent of state retail consumption (as of July 2017) are shown in the table below. Some states have separate goals for different types of utilities such as investor-owned utilities (IOUs), cooperatives (co-ops) or municipal power companies (munis). Other states like Iowa and Texas, have set targets for installed capacity, rather than for a percentage of sales.

| STATE | RPS OBJECTIVE | STATE | RPS OBJECTIVE |
|----------------------|---|----------------|---|
| Arizona | 15% by 2025 | Montana | 15% by 2015 |
| California | 50% by 2030 | Nevada | 25% by 2025 |
| Colorado | 30% by 2020 (IOUs) 20% by 2020 (co-ops) 10% by 2020 (munis) | New Hampshire | 24.8% by 2025 |
| Connecticut | 23% by 2020 | New Jersey | 22.5% by 2020 |
| Delaware | 25% by 2025 | New Mexico | 20% by 2020 (IOUs) 10% by 2020 (co-ops) |
| District of Columbia | 50% by 2032 | New York | 50% by 2030 |
| Hawaii | 100% by 2045 | North Carolina | 12.5% by 2021 (IOUs) 10% by 2018 (co-ops and munis) |
| Illinois | 25% by 2025 | Ohio | 12.5% by 2026 |
| Iowa | 105 MW by 1999 | Oregon | 50% by 2040 (large IOUs) 5-25% by 2025 (other utilities) |
| Maine | 40% by 2017 | Pennsylvania | 8.5% by 2020 |
| Maryland | 25% by 2020 | Rhode Island | 38.5% by 2035 |
| Massachusetts | 11.1% by 2009 +1%/yr | Texas | 5,880 MW by 2015 |
| Michigan | 15% by 2021 | Vermont | 75% by 2032 |
| Minnesota | 26.5% by 2025 Xcel: 31.5% by 2020 | Washington | 15% by 2020 |
| Missouri | 15% by 2021 | Wisconsin | 10% by 2015 |

Another regulatory factor that could affect demand for renewable energy is national legislation or rule-making regarding carbon emissions. On August 2015, the Environmental Protection Agency (EPA) announced the Clean Power Plan (CPP), a rule to cut carbon pollution from existing power plants. On February 2016, the Supreme Court stayed implementation of the CPP pending judicial review and on October 2017, the EPA, led by Scott Pruitt, announced that it would sign a proposed rule to repeal the CPP. On December 2017, Scott Pruitt announced that the EPA will introduce a replacement rule for the CPP. It is otherwise unclear how the EPA will proceed. On a state level, some states already participate in carbon reduction programs. For example, California is a member of a carbon allowance market along with Quebec and Ontario. Meanwhile, some states in the eastern US (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont) are members of the Regional Greenhouse Gas Initiative which seeks to reduce carbon emissions from the power sector.

In 2017, one of the most notable new legislation was the "Tax Cuts and Jobs Act of 2017" which, among many other changes, reduced the maximum corporate tax rate from 35% to 21% and introduced the Base Erosion Anti-Abuse Tax ("BEAT"). The final impacts of these changes are still uncertain on the renewable energy market. For example, the decreased corporate tax rate is projected to boost after-tax earnings from new renewable projects, but it could also reduce the market demand for the tax credits produced by new renewable energy assets. The "BEAT" provision is a tax intended to prevent companies from engaging in "earnings stripping", a method by which large, foreign-controlled companies loan funds to their U.S. subsidiaries and then deduct the interest payments, thus reducing their U.S. tax liability. The final version of the tax reform bill stated that companies could offset up to 80% of their "BEAT" liability through the PTC/ITC value.

**MANAGEMENT REPORT
2017**

Another notable federal-level development spanning 2017 into 2018 was the petition for an eventual announcement of a tariff on imported crystalline silicon photovoltaic (CSPV) modules. In late 2017, after considering a petition by Suniva and SolarWorld Americas, the U.S. International Trade Commission announced a set of recommendations for tariffs to President Trump. In January 2018, President Trump announced a 30% tariff beginning in 2018 and decreasing by 5% per year, exempting the first 2.5 GW of imports in each year. As a result, the cost of some modules might increase.

GROWTH PROSPECTS

Growth in the US is motivated by several forces, including primarily the planned coal capacity retirements, RPS compliance in several states and demand from commercial and industrial entities.



 **CANADA**

New Canadian renewable supply is expected to be largely determined by provincial procurements. While some provinces already produce much of their electricity through renewable sources (largely due to hydro power), Alberta, Saskatchewan and Ontario have taken steps to increase renewable energy production. Alberta, where EDPR was awarded a long-term Renewable Energy Support Agreement for 248 MW of wind onshore in the 2017 auction, is pursuing a Renewable Energy Program in order to develop 5 GW of renewable electricity generation capacity by 2030. SaskPower, the principal electric utility of Saskatchewan, has a target of 50% renewable generation capacity by 2030. Ontario has conducted multiple Large Renewable Procurements in 2014-2016.

 **MEXICO**

Mexico is redesigning its energy sector beginning with the constitutional amendment in 2013 and ending with implementation by end of 2018. The reforms bring about the end of state-owned vertically-integrated monopolies and open the door to significant opportunities for private sector participation across the supply chains for oil and gas and for electricity. Mexico's energy reforms advanced significantly in 2016 implementing changes that will provide remuneration for all forms of generation including wind and solar. The key mechanisms of interest to renewable developers are the implementation of the wholesale electricity market, long-term supply auctions, and financial transmission rights. Mexico has conducted three long-term supply auctions in order to procure new renewable electricity.



2.1.5. CORPORATE RENEWABLE PPAS; A NEW FRAMEWORK ON THE ROAD

Corporations all around the world have been showing an increasing interest in sourcing their energy needs through renewable Power Purchase Agreements (PPAs), being wind and solar PV the most preferred technologies.

WHAT IS IT:

A corporate Power Purchase Agreement consists of a long-term contract under which a private enterprise or public institution (other than utilities) agrees to purchase electricity directly from an energy generator, rather than from a traditional supplier, for a pre-agreed price during a pre-agreed period of time, commonly with a term between 10 to 15 years. It differs from the traditional utility PPA in the sense that the off-taker is not an electricity distributor or supplier company, but rather the final consumer.

Early entrants to the corporate renewable PPA market were some of the world's biggest technological companies, including Google, Facebook or Amazon. However, the market has recently seen a diverse set of companies, including retailers and industrials entering into corporate renewable PPAs and other players as municipalities, universities and hospitals, which are also seizing opportunities.

BENEFITS:

Corporate renewable PPAs provide an opportunity for corporations to comply with their sustainability strategy commitments, by using renewable energy, therefore reducing their carbon footprint and enhancing their reputation and branding. Many private companies are setting themselves challenging energy and sustainability targets and are making these commitments public by joining international initiatives such as RE100¹. Corporate renewable PPAs also improve cost predictability, which is especially important in a context of volatile or increasing energy prices, through the ability to set prices for a long-term period and avoid carbon and environmental penalties by complying with current and future regulatory requirements. Following the growing competitiveness of renewable energy technologies, latest PPAs signed around the world offered very attractive and stable prices to the off-takers.

From the renewable generators' perspective, corporate renewable PPAs bring predictability and visibility on future earnings to renewable generators who would be otherwise exposed to market volatility.

STATUS AND PROSPECTS:

The corporate renewable PPA market has grown significantly in the last years, with nearly 19 GW of deals signed since 2008. According to Bloomberg New Energy Finance, a record of 5.4 GW in corporate renewable PPAs have been closed in 2017.

The U.S. is the preferred market for corporate renewable PPAs, with around 11.3 GW of agreements signed according to Bloomberg, supported by a compatible renewable framework, volatile (and sometimes high) electricity prices, existence of projects with abundant resource and wide availability of expertise in structuring electricity transactions. In Europe, the corporate renewable PPAs market has experienced a slow start but has been growing at a considerable pace in the last five years. Today, more than 3 GW of corporate renewable PPAs have been structured in Europe, being the UK, Scandinavian countries and the Netherlands the largest markets.

EDPR has already a solid experience in partnerships with major companies like Bloomberg, Amazon, Home Depot, General Motors and Philips in the US along with Industrias Peñoles in Mexico.

¹ RE100 is a global initiative of influential corporations committed to 100% renewable electricity, working to massively increase demand for - and delivery of - renewable energy

2.2. BUSINESS PLAN

EDPR'S STRATEGIC PLAN THROUGH 2020 IS SUPPORTED BY THREE PILLARS; SELECTIVE GROWTH, OPERATIONAL EXCELLENCE AND SELF-FUNDING MODEL

In May 2016, EDPR presented to the financial community its Business Plan for 2016-20 at the EDP Group Investor Day held in London. Several financial markets participants were present at the event, including press, online participants, investors, analysts and rating agencies, demonstrating a great interest in the group's equity story and strategy.

EDPR increased its 2014-17 Business Plan growth targets in the new Business Plan with stronger capacity additions and technological mix. Since its inception, EDPR has been performing a strategy focused on selective growth, by investing in quality projects with predictable future cash-flows, and seamless execution, supported by core competences that yield superior profitability, all embedded within a distinctive and self-funding model designed to accelerate value creation. As a result of undertaking such strategy, at the same time flexible enough to accommodate to changing business and economic environments, EDPR remains today a leading company in the renewable energy industry.

EDPR 2020 investment case will continue to be supported by a distinctive strategic agenda which is being successfully delivered in order to outperform its 2016-20 goals.

| SELECTIVE GROWTH | | OPERATIONAL EXCELLENCE | | SELF-FUNDING BUSINESS | |
|---|--------------------|---|-----------------------|--|--|
| Solid value creation, investing in quality projects with predictable cash-flow stream | | Profitable growth supported by distinctive core competences and unique know-how | | Enhanced growth by an asset rotation program designed to accelerate value creation | |
| Prioritize quality investments in EDPR core markets | > c. 700 MW/year | Technical expertise to maximize production | > >97.5% availability | Investing in visible growth opportunities | > €4.8bn investments |
| High visibility on projects with long term contracts awarded | > >65% till 2020 | Competitive projects leading to a superior load factor | > 33% in 2020 | Profitable assets generating robust retained cash-flow (RCF) | > €3.9bn RCF |
| Technological mix initiatives | > Solar & Offshore | Unique O&M strategy to keep lowering Core Opex/MW | > -1% CAGR 2015-20 | Asset Rotation strategy to keep enhancing value growth | > up to € 1.1bn €550m executed c.€600m new |

EDPR business model set to deliver predictable and solid growth targets in core markets...

| | Electricity Output | EBITDA ¹ | RCF | Net Profit ¹ | Dividend Pay-out ¹ |
|---------|--------------------|---------------------|--------------------|-------------------------|-------------------------------|
| 2016-20 | 10% CAGR 15-20 | 8% CAGR 15-20 | €3.9 bn 2020E | 23% CAGR 15-20 | 25-35% |
| 2016-17 | 14% CAGR 15-17 | 12% CAGR 15-17 | €1.8 bn Cum. 16-17 | 45% CAGR 15-17 | 29% Avg. 16-17 |

...positioning to successfully lead a sector with increased worldwide relevance

1) EBITDA and Net Profit adjusted by non-recurrent events: 2015 Adj. EBITDA: €1.0 billion; 2015 Adj. Net Profit: €108 million; 2016 Adj. EBITDA: €1.2 billion; 2016 Adj. Net Profit: €104 million; 2017 Adj. EBITDA: €1.3 billion; 2017 Adj. Net Profit: €226 million. Adj. Target Net Profit CAGR would be equivalent to 16% without asset life extension adjustment effective since January 2017.



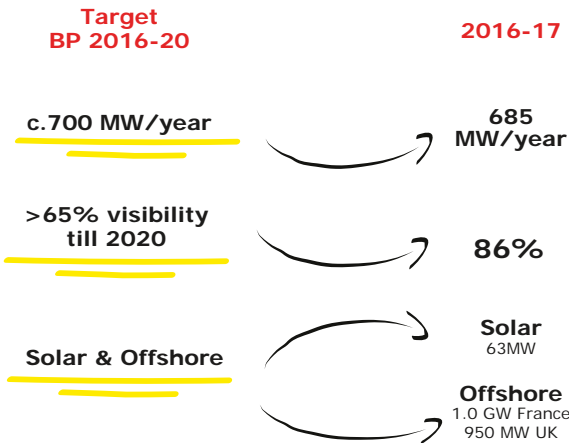
2.2.1. SELECTIVE GROWTH

The selective growth strategic pillar is the key principle behind EDPR's investment selection process, it ensures that the projects that are finally built have the best fit with the company's low risk profile. This is achieved as new projects have long-term PPAs already secured or have been awarded long-term contracts under stable regulatory frameworks, as well as exhibiting above portfolio average load factor.

Strong execution

EDPR's extensive pipeline has been an important contributing factor to the successful execution of this strategy as the availability of multiple projects coupled with strong development expertise guarantees that only the best, fully optimized projects are finally selected for investment.

SELECTIVE GROWTH TARGETS



EDPR is well on track to deliver on its business plan target growth of +3.5 GW cumulative from 2016 to 2020 (700 MW/year), with 86% of the capacity additions target already secured and 600 MW installed in 2017.

Efforts in new key areas like Solar and Offshore have already crystalized securing long-term growth.

65% GROWTH FROM NORTH AMERICA, DRIVEN BY PPAS ALREADY SECURED

The United States is EDPR's main growth driver for the 2016-20 Business Plan timeframe. The visibility over Production Tax Credit (PTC) tax scheme, the strong demand from both utilities, and commercial and industrial companies for long-term PPAs from wind energy projects, combined with EDPR's diversified portfolio of projects in this market support this solid growth opportunity.

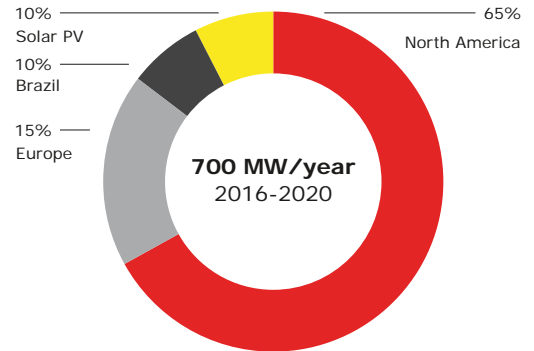
The December 2015 extension of the PTC provides long-term visibility to US growth beyond 2016-20 for new wind energy projects, reinforces the strong fundamentals of the US wind market and supports EDPR's choice to shift growth to the US.

The Business Plan for 2016-20 targets 1.8 GW of wind onshore additions in the US, of which 1.3 GW were already secured as of December 2017 and are entitled to receive 100% PTC value. More than 55% of these projects were signed with non-utilities, another key driver of the US market.

In addition, it is worth mentioning that EDPR secured turbine components in 2016 that grant the option to install up to 3.1 GW of wind projects until 2020, benefitting from 100% of the PTC value. In 2017, EDPR also secured turbine components to be installed after 2021, offering more visibility post Business Plan.

In 2017, EDPR was awarded two long-term energy sale agreements in North America. The first a PPA in the State of Indiana for 75 MW of onshore wind with start of operation expected in 2018 and the second, a 20-year RESA for the delivery of 248 MW onshore wind in Alberta, Canada, with commercial operation to occur in December 2019.

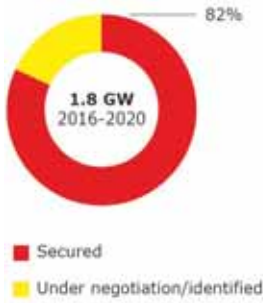
CAPACITY ADDITIONS (MW; %)



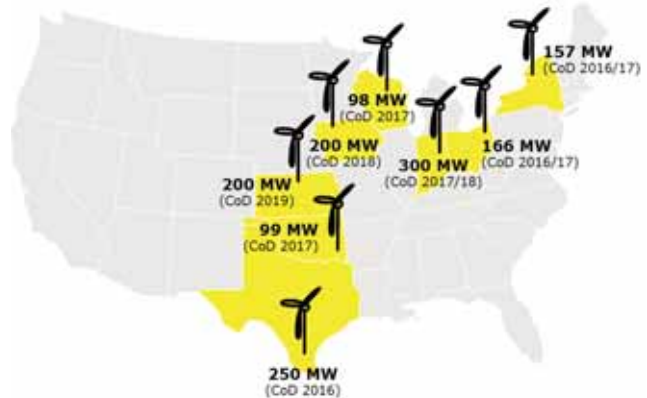
Total of 3.5 GW capacity additions

US and wind onshore at the core of EDPR growth strategy

US CAPACITY ADDITIONS (GW)



| Project Name | MW | State | CoD |
|-----------------|-----|-----------|------|
| Hidalgo | 250 | Texas | 2016 |
| Timber Road III | 100 | Ohio | 2016 |
| Jericho | 78 | New York | 2016 |
| Arkwright | 79 | New York | 2017 |
| Meadow Lake V | 100 | Indiana | 2017 |
| Quilt Block | 98 | Wisconsin | 2017 |
| Red Bed | 99 | Oklahoma | 2017 |
| Hog Creek | 66 | Ohio | 2017 |
| Turtle Creek | 200 | Iowa | 2018 |
| Meadow Lake VI | 200 | Indiana | 2018 |
| Prairie Queen | 200 | Kansas | 2019 |



Option to grow 3.1 GW
with safe harbor

1.5 GW already secured
55% secured with non-utilities

15% GROWTH FROM EUROPE, FOCUSING ON LOW RISK REGULATORY FRAMEWORKS

For the 2016-20 Business Plan, EDPR growth in Europe represents c.15% of the planned capacity additions, a growth supported by identified short-term opportunities and medium-term pipeline options. In terms of growth by country, EDPR has high visibility to additions. Firstly, in Portugal, 216 MW will be added with a 20-year feed-in tariff, of which 49 MW are under construction. On top of those additions EDPR already installed 7 MW (3 MW of which solar) by 2017 and has 6 MW extra under construction related with over equipments. In Italy, with c.200 MW target additions, 44 MW were installed by 2017 and 127 MW more will be added with a 20-year contract of which 77 MW are currently under construction. In France, EDPR targets additions of c.100 MW through pipeline development, of which 46 MW were already installed by 2017 while 11 MW are currently under construction. In Spain, 25 MW net were added related with the acquisition of a 50% participation in a wind farm previously accounted as equity and EDPR was awarded 93 MW in January 2016, 68 MW of which are currently under construction.

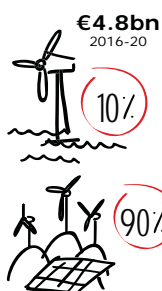
10% FROM BRAZIL, IN PROJECTS WITH LONG-TERM PPAS

In Brazil, EDPR already installed 331 MW, while 137 MW are currently under construction. EDPR has the objective to remain actively prospecting opportunities in Brazil, namely auction opportunities, given the strong fundamentals of the country, with high growth of electricity demand, robust renewable resources and availability of long-term energy supply agreements through an auction system.

TECHNOLOGICAL MIX

10% growth in solar, given its increasing competitiveness

In order to take advantage of this profitable renewable technology and considering its increasing competitiveness, EDPR included in its 2016-20 Business Plan a 10% growth target for PV solar. The US is the core market for this growth, where the technology is boosted by the Investment Tax Credit scheme, while in Europe, Brazil and Mexico developing options are based on fundamentals. In 2017 EDPR installed 63 MW of solar solar PV technology; 3 MW in Portugal and 60 MW in South Carolina with a 15-year PPA.



Investing in Offshore Wind Technology

Offshore projects are being developed by EDPR, to support growth options and to capture this new wave of industry development. These projects, located in the UK and France, are expected to start operations beyond the 2016-20 Business Plan, but are already being developed through partnerships, from which the company is also able to further develop technological expertise in the sector. In 2017 EDPR was awarded, in a joint venture with ENGIE, a 15-year CfD in the UK for the delivery of 950 MW of offshore wind generation to be completed by 2022.

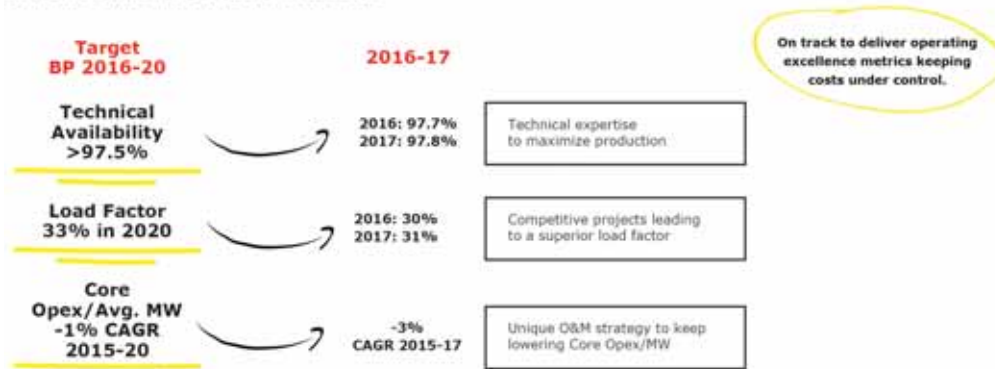


2.2.2. OPERATIONAL EXCELLENCE

One of the strategic pillars that has always been a keystone of the company, setting it apart in the industry, is the drive to maximize the operational performance of its wind and solar plants. In this area, EDPR's teams, namely in operations and maintenance (O&M), have established a strong track record that supports challenging targets set in the 2016-20 Business Plan. For this period, EDPR has set targets for three key metrics: Load Factor, Technical Availability and Core Opex per MW. These metrics provide an overall view of the progress in EDPR wind assessment, O&M and cost control efforts. They also serve as good indicators for the overall operational efficiency of the company.

STRONG EXECUTION

OPERATIONAL EXCELLENCE TARGETS



MAINTAINING HIGH LEVELS OF AVAILABILITY >97.5%

Availability is the ratio between the energy actually generated and the energy that would have been generated without any downtime due to internal reasons, namely due to preventive maintenance or repairs. Therefore it is a clear performance indicator of the company's O&M practices as it focuses on reducing to a minimum any malfunctions and performing maintenance activities in the shortest possible timeframe.

The company has always maintained high levels of availability, having registered availability of 97.8% in 2017, in line with its 2016-20 Business Plan target. EDPR will continue to improve availability through new predictive maintenance optimization measures supported by the 24/7 control and dispatch centre, reducing damages most common during extreme weather and improving the scheduling of planned stops. Also a new spare parts warehousing strategy will be key in reducing downtime during unexpected repairs.

LEVERAGING QUALITY GROWTH ON DISTINCTIVE WIND ASSESSMENT TOWARDS 33% LOAD FACTOR

Load factor (or net capacity factor) is a measure for the renewable resource quality, that reflects the percentage of the maximum theoretical energy output, in a given period.

Ensuring the assets generate the maximum amount of energy possible is a key success factor. With regards to the operating portfolio, optimizing load factor is linked to the improvement of availability as above described and, if possible, introducing productivity enhancement retrofits that boost production by equipping older turbine models with the most up-to-date technological improvements available to increase efficiency in the utilization of the available resources of renewables. The energy assessment and engineering teams are responsible for the wind farms and solar plants development and design in a way that maximizes load factor. They define the optimal layout of the plant by matching the positioning and choice of turbines with the characteristics of the site, specially the terrain, from the collected resource measurements and their estimated energy outputs.

The company has consistently maintained levels of load factor in the range of 29-30%, having registered 31% in 2017, which is slightly below the P50 (mean probability) assessment for the current fleet, given the lower wind resource in the period when compared with an average year. For 2020 EDPR has a target to reach 33% load factor, mainly on the back of the increase competitiveness of new capacity additions.

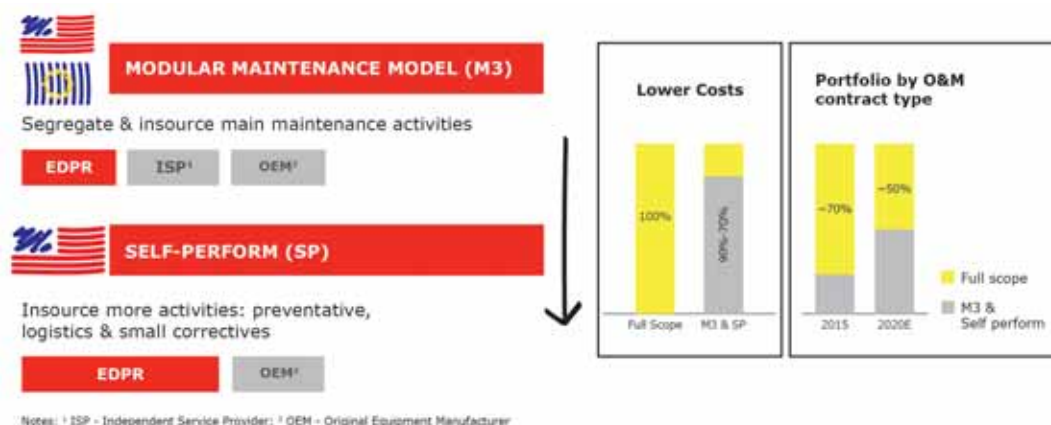
INCREASING EFFICIENCY, BY REDUCING CORE OPEX/MW -1%

In addition to all company initiatives to boost production, EDPR also focuses on strict cost control efforts to improve efficiency and profitability. Leveraging on the experience accumulated over time, EDPR set a target in the 2016-20 Business Plan to reduce Core Opex/MW by -1% CAGR 2015-20. Core Opex is defined by Supplies and Services (including O&M activities) and Personnel costs, which are the costs that EDPR can actively manage. The target of reducing the manageable company costs structure, also benefits from the economies of scale of a growing company. With regards to O&M, that represents c. 30% of total Opex, EDPR has already delivered results through the implementation of its M3 (Modular Maintenance Model) system and self-perform program to some of the wind farms that are no longer under initial warranty contracts.

M3 PROGRAM AND SELF-PERFORMANCE

As EDPR's fleet becomes more mature the initial O&M contracts signed with the turbine suppliers expire. When that happens the company needs to decide between renewing the maintenance service with the OEM (Original Equipment Manufacturer) or insourcing activities to operate the wind farm on its own, whilst maintaining high levels of availability.

Based on EDPR's expertise, under the **M3 program** O&M teams will decide on the optimal balance between external contractors and in-house maintenance. Usually, EDPR keeps control of high value-added activities such as maintenance planning, logistics and remote operations while outsourcing, under direct supervision, labour-intensive tasks. This new program has quickly generated savings in operational expenses and increased control over quality. During 2017 self-perform maintenance was implemented in additional facilities whose maintenance contracts were up for renewal. The **self-perform** program is a step further in EDPR's integration of maintenance tasks and activities, which is being implemented in the US, and consequently minimizes third-parties dependency. EDPR targets to increase the share of its fleet under the M3 and Self-Perform program to c.50% by 2020, from c.30% levels in 2015.



INCREASING PRODUCTION

For the period 2016-20, and in line with its previous targets, EDPR aims to increase its total production by 10% CAGR 2015-20. This growth is to be supported by its distinctive competences and accretive projects.

EDPR is also creating value through the improvement of its assets by implementing new technologies to boost turbine power output without requiring major component changes. Performance Analysis teams are collaborating with the manufacturers to determine the best practices to apply this new technology. For instance, installing new versions of the softwares on the older machines with the support of the manufacturer, improves the operation of the turbine and increases their efficiency. Another measure is the implementation of Vortex generators where components are installed on the blades, modifying and improving the blades' aerodynamics, achieving an increase in efficiency.

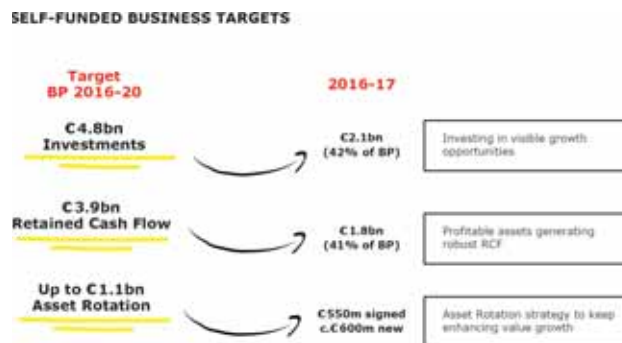


2.2.3. SELF-FUNDING MODEL

EDPR self-funding model has been a cornerstone of EDPR's strategy and its success has been crucial for funding growth.

The self-funding model relies on a combination of the Retained Cash Flow from operating assets and EDPR's successfully Asset Rotation strategy, along with the US Tax Equity structures to finance the profitable growth of the business. This model, that was already included in the previous business plan, substitutes the initial financing strategy that depended on corporate debt from EDP, the major shareholder of EDPR.

STRONG EXECUTION



RETAINED CASH FLOW

The primary source of funds for the company is the EBITDA generated from existing assets, which after paying debt services costs, deducting capital distributions to equity partners and taxes is called Retained Cash Flow, meaning the amount available to pay dividends to EDPR shareholders and/or to fund new investments.

A strong Retained Cash Flow generation of c.€3.9 billion is expected for the period 2016-20.

EDPR indicated in May 2016, a dividend pay-out ratio policy in the range of 25-35% of its annual net profit, thus allowing most of the Retained Cash Flow to fund growth. The dividends paid in 2017 amounted to c.€44 million.

ASSET ROTATION

Proceeds from asset rotation transactions are also important sources of funds for the self-funding model of EDPR in financing its profitable growth. This enables the company to cristalize the value yet to be realized from the future cash-flows of its existing projects over their long remaining lifetime and reinvest the corresponding proceeds in the development of new value accretive projects, with superior returns. These transactions involve the company selling minority stakes (typically 49% stake) at project level while maintaining full management control. The scope of these transactions tend to be mature projects, generally already operating and thus significantly de-risked, with high visibility to future cash-flows, that can be attractive to low risk institutional investors from whom EDPR can source a competitive cost of finance.

For the period 2016-20 EDPR has the target of completing €1.1 billion of Asset Rotation transactions, which as of December 2017, €550 million were already executed.

For the completion of the Asset Rotation target, EDPR will continue to seek accretive projects with superior returns, thus crystallizing value and accelerating profitable growth.

US TAX EQUITY

EDPR always aims to find external financing to its projects, namely through tax equity structures, typical of the US. The use of tax equity in the US enables an efficient utilization of the tax benefits generated by the project, otherwise unusable, therefore improving projects' economics. In a simplistic view, tax equity investors contribute a sizable part of

**MANAGEMENT REPORT
2017**

the initial project investment, receiving in return almost all of the PTCs granted to the project for first 10 years of operation along with the benefits from the accelerated depreciation.

In 2017 EDPR signed two tax equity transactions, a total funding of \$507 million related to all projects that started operations in 2017.





2.3. RISK MANAGEMENT

In line with EDPR's controlled risk profile, Risk Management process defines the mechanisms for evaluation and management of risks and opportunities impacting the business, increasing the likelihood of the company in achieving its financial targets, while minimizing fluctuations of results.

RISK MANAGEMENT PROCESS

EDPR's Enterprise Risk Management Process is an integrated and transversal management model that ensures the minimization of the effects of risk on EDPR's capital and earnings, as well as the implementation of best practices of Corporate Governance and transparency. The process aligns EDPR's risk exposure with the company's desired risk profile. Risk management policies are aimed to mitigate risks, without ignoring potential opportunities, thus, optimizing return versus risk exposure.

The process is closely followed and supervised by the Audit and Control Committee, an independent supervisory body composed of non-executive members.

Risk management is endorsed by the Executive Committee, supported by the Risk Committee and implemented in day-to-day decisions by all managers of the company.

EDPR created three distinct meetings of the Risk Committee in order to help decision-making, separating discussions on execution of mitigation strategies, from those on the definition of new policies:

- **RESTRICTED RISK COMMITTEE:** Held every month, it is mainly focused on development risk and market risk from electricity price (market, basis, profile, GCs and RECs). It is the forum to discuss the evolution of projects under development and construction and the execution of mitigation strategies to reduce merchant exposure. It also monitors the limits of defined risk policies, with regards to counterparty risk, operational risk and country risk.
- **FINANCIAL RISK COMMITTEE:** Held every quarter, it is held to review main financial risks and discuss the execution of mitigation strategies. Exchange rate risk, interest rate risk and credit risk from financial counterparties are most relevant risk reviewed in this committee.
- **RISK COMMITTEE:** Held every quarter, it is the forum where new strategic analyses are discussed and new policies are proposed for approval to the Executive Committee. Additionally, EDPR's overall risk position is reviewed, together with EBITDA@Risk and Net Income@Risk.

RISK MAP AT EDPR

Risk Management at EDPR is focused on covering all risks of the company. In order to have a holistic view, they are classified in five Risk Categories.

| RISK CATEGORIES | | RISK GROUPS |
|--|----|---|
| <p>MARKET RISKS</p> <p>It refers to the risk to EDPR resulting from movements in market prices. Due to the relationship between wind production and electricity price production risk is considered within market risk. In particular, market risks are changes in electricity prices, production risk, interest rates, foreign exchange rates and other commodity prices.</p> | »» | <ul style="list-style-type: none"> • Electricity Price Risk • Electricity Production Risk • Commodity Price Risk • Liquidity Risk • Inflation Risk • Exchange Rate Risk • Interest Price |
| <p>COUNTERPARTY RISK</p> <p>Risk that counterparty to a transaction could default before final settlement of the transaction's cash flows. A direct economic loss would occur if transactions with the counterparty had positive economic value at the time of default. Even in the case of not defaulting, it may not comply with its contract obligations (timing, quality, etc.), implying additional higher costs due to its replacement or to delays in fulfilling the contract.</p> | »» | <ul style="list-style-type: none"> • Counterparty Credit Risk • Counterparty Operational Risk |
| <p>OPERATIONAL RISK</p> <p>Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (such as an increase in equipment default rates, increasing O&M, or natural disasters).</p> | »» | <ul style="list-style-type: none"> • Development Risk • Legal Claims Risk (Compliance) • Execution Risk • Personnel Risk • Operation Risk (Damage to Physical Assets and Equip. Performance) • Processes Risk • Information Technologies Risk |
| <p>BUSINESS RISK</p> <p>Potential loss in the company's earnings due to adverse changes in business margins. Such losses can result, above all, from a serious increase in equipment prices or changes in the regulatory environment. Changes in electricity prices and wind production are considered market risks.</p> | »» | <ul style="list-style-type: none"> • Energy Production Risk • Equipment Performance Risk • Regulatory Risk (renewables) • Wind Turbine Price Risk • Wind Turbine Supply Risk |
| <p>STRATEGIC RISK</p> <p>It refers to risks coming from macroeconomic, political, social or environmental situation in countries where EDPR is present, as well as those coming from a change in competitive landscape, from technology disruptions, from changes in energy markets or from governance decisions (investment decisions criteria, Corporate Governance and Reputational issues).</p> | »» | <ul style="list-style-type: none"> • Country Risk • Competitive Landscape Risk • Technology Disruptions Risk • Invest. Decisions Criteria Risk • Reputational Risk • Meteorological Changes • Corp. Organization and Governance • Energy Planning |

Within each Risk Category, risks are classified in Risk Groups. The full description of the risks and how they are managed can be found in the Corporate Governance chapter. The graph above summarizes the Risk Categories, the Risk Groups and the Risk Management mitigation strategies at EDPR.



MITIGATION STRATEGIES

- »
 - Close analysis of natural hedges to define best alternatives
 - Hedge of market exposure through long term power purchase agreements (PPA) or short-term financial hedges
 - Natural FX hedging, with debt and revenues in same currency
 - Execution of FX hedging for net investment (after deducting local debt)
 - Execution of FX hedging to eliminate FX transaction risk, mainly in Capex
 - Execution of interest rate hedging
 - Execution of inflation hedging
 - Alternative funding sources such as Tax equity structures and Multilateral/ Project Finance agreements

- »
 - Counterparty exposure limits by counterparty and at EDPR level
 - Collateral requirement if limits are exceeded
 - Monitoring of compliance with internal policy

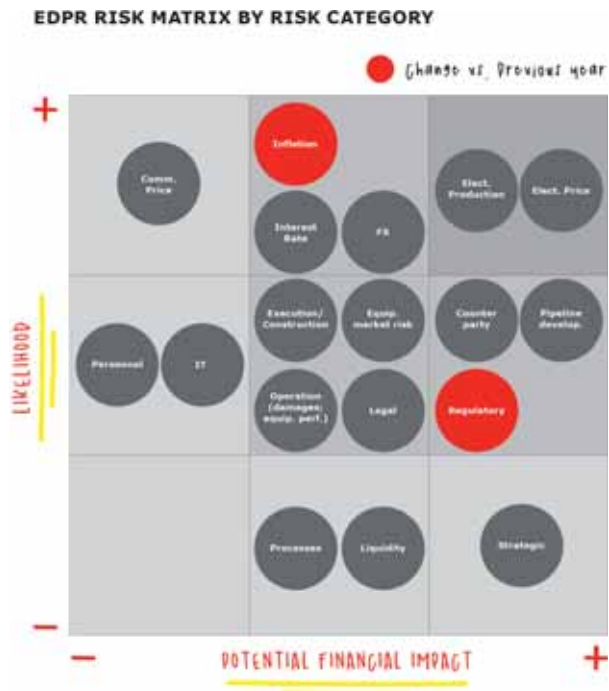
- »
 - Supervision of suppliers by EDPR's engineering team
 - Flexible CODs in PPAs to avoid penalties
 - Partnerships with strong local teams
 - Monitor recurrent operational risks during construction and development
 - Close follow-up of O&M costs, turbine availability and failure rates
 - Insurance against physical damage and business interruption
 - Strict compliance with legal requirements and zero tolerance for unethical behavior or fraud
 - Attractive remuneration packages and training for personnel
 - Revision of all regulations that affect EDPR activity (environmental, taxes...)
 - Control of internal procedures
 - Redundancy of servers and control centers of wind farms

- »
 - Careful selection of energy markets based on country risk and energy market fundamentals
 - Diversification in markets and remuneration schemes
 - Follow-up of regulation changes in markets where EDPR is present to adjust strategy if needed
 - Active involvement in all major wind associations in all EDPR markets
 - Signing of medium-term agreements with turbine manufacturers to ensure visibility of turbine prices and supply
 - Relying on a large base of turbine suppliers to ensure supply

- »
 - Careful selection of countries
 - Worst case profitability analysis of every new investment considering all risks factors
 - Risk-return metrics at project and equity level
 - Consideration of stress case scenarios in the evolution of energy markets for new investment decisions
 - Follow-up of cost effectiveness of renewable technologies and potential market disruptions

EDPR RISK MATRIX BY RISK CATEGORY

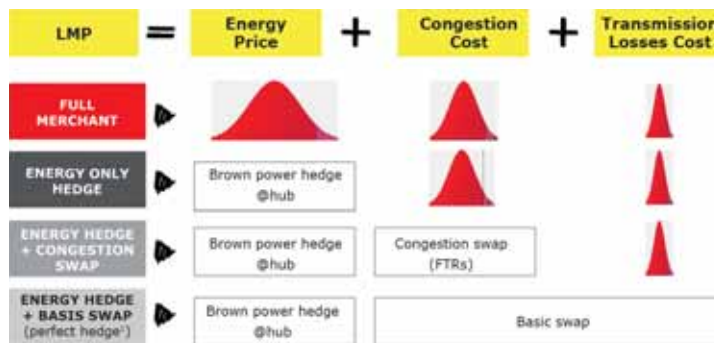
EDPR Risk Matrix is a qualitative assessment of likelihood and impact of the different risk categories within the company. It is dynamic and it depends on market conditions and future internal expectations.



FOCUS ON MARKET RISK IN US MARKETS

EDPR has some merchant exposure in some US windfarms. This risk is mitigated through hedging the three components of locational marginal prices (LMP), namely energy price, congestion cost and transmission losses.

The most volatile risk factor is the energy price, followed by congestion cost and transmission losses. The hedging strategy will depend on the exposure of each wind farm, as well as on the liquidity of the hedging instruments.



Note: * Excluding volume risk

3 Execution

Economic

Operational performance 57

Financial performance 59

Stakeholders

Employees 68

Communities 72

Suppliers 75

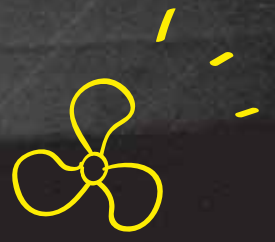
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LIVING TECHNOLOGY

THE

LIVING

ENERGY

BOOK





03 EXECUTION

3.1. ECONOMIC

3.1.1. OPERATIONAL PERFORMANCE

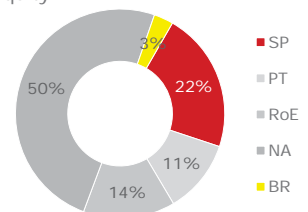
INSTALLED CAPACITY INCREASED 600 MW IN 2017

| | MW | | | NCF | | | GWh | | |
|-----------------------------------|---------------|---------------|-------------|------------|------------|-------------|---------------|---------------|-------------|
| | YE17 | YE16 | Var. | YE17 | YE16 | Var. | YE17 | YE16 | Var. |
| Spain | 2,244 | 2,194 | +50 | 27% | 26% | +1pp | 5,095 | 4,926 | +3% |
| Portugal | 1,253 | 1,251 | +3 | 27% | 28% | -1pp | 2,912 | 3,047 | -4% |
| Rest of Europe | 1,564 | 1,541 | +22 | 27% | 25% | +2pp | 3,662 | 3,257 | +12% |
| France | 410 | 388 | +22 | 23% | 23% | -0.4pp | 808 | 777 | +4% |
| Belgium | 71 | 71 | - | 21% | 21% | +0.2pp | 129 | 128 | +1% |
| Italy | 144 | 144 | - | 27% | 28% | -1pp | 337 | 258 | +30% |
| Poland | 418 | 418 | - | 30% | 25% | +5pp | 1,093 | 951 | +15% |
| Romania | 521 | 521 | - | 28% | 25% | +3pp | 1,295 | 1,143 | +13% |
| Europe | 5,061 | 4,986 | +74 | 27% | 26% | +1pp | 11,669 | 11,230 | +4% |
| US | 5,055 | 4,631 | +424 | 35% | 33% | +1pp | 14,410 | 12,501 | +15% |
| Canada | 30 | 30 | - | 28% | 28% | - | 75 | 75 | -0.4% |
| Mexico | 200 | 200 | - | 39% | - | - | 606 | - | - |
| North America | 5,285 | 4,861 | +424 | 35% | 33% | +1pp | 15,091 | 12,576 | +20% |
| Brazil | 331 | 204 | +127 | 43% | 35% | +9pp | 861 | 666 | +29% |
| TOTAL | 10,676 | 10,052 | +624 | 31% | 30% | +1pp | 27,621 | 24,473 | +13% |
| Other equity consolidated | 331 | 356 | -25 | | | | | | |
| Spain | 152 | 177 | -25 | | | | | | |
| US | 179 | 179 | - | | | | | | |
| EBITDA MW + Equity consol. | 11,007 | 10,408 | +600 | | | | | | |

EDPR CONTINUES TO DELIVER SOLID SELECTIVE GROWTH

With a top-quality portfolio, EDPR has a strong track record and proven capability to execute superior projects and deliver on targets. The installed asset base of 11.0 GW is not only young, on average 7 years, it is also mostly certified in terms of environmental and health and safety standards. Since 2008, EDPR has more than doubled its installed capacity by adding 7 GW, resulting in a total installed capacity of 11,007 MW (EBITDA + Net Equity). As of year-end 2017, EDPR had installed 5,213 MW in Europe, 5,464 MW in North America and 331 MW in Brazil.

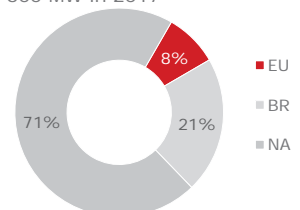
11.0 GW EBITDA + Net Equity



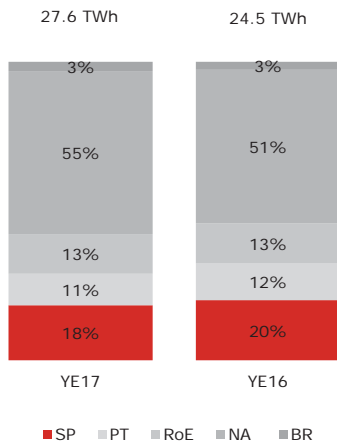
2017 INSTALLATIONS CONCENTRATED IN NORTH AMERICA

The largest growth in installed capacity occurred due to the completion of 424 MW in North America. All of the MW had previously secured PPA contracts, thus providing long-term stability and visibility on the revenue stream. In Europe there were 49 MW net added, with 25 MW net installed in Spain (related to the acquisition of a 50% stake in a Spanish wind farm that was previously accounted as equity), 22 MW in France and 3 MW in Portugal. In Brazil 127 MW were added with the installation of the JAU and Aventura wind farms.

+600 MW in 2017



13% INCREASE IN YOY GENERATION



EDPR generated 27.6 TWh during 2017. When adding around 2 TWh produced from our equity projects, enough clean energy was produced to serve 59% of the electricity demand of Portugal.

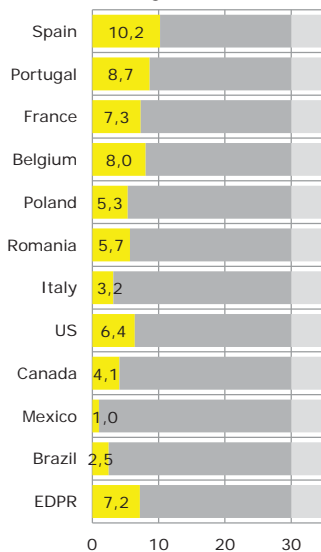
The 13% year-on-year increase in the electricity output benefited from the capacity additions over the last 12 months along with the higher realized load factor.

EDPR achieved a 31% load factor during 2017 (vs 30% in 2016) benefiting from a strong recovery of the wind resource in the last quarter of the year.

EDPR also achieved a 98% availability, in line with the previous year. The company continues to leverage on its competitive advantages to maximize wind farm output and on its diversified portfolio across different geographies to minimize the wind volatility risk.

PREMIUM PERFORMANCE AND DIVERSIFIED PORTFOLIO DELIVERS BALANCED OUTPUT

Assets' Average Age and Useful Life (years)



EDPR's operations in North America were the main driver for the electricity production growth in 2017, increasing by +20% YoY to 15.1 TWh and representing 55% of the total output. This performance was driven by EDPR's unique ability to capture the wind resource available along with the contribution from new additions in the US. EDPR achieved a 35% load factor in North America, an increase of +1pp vs. 2016.

EDPR's production in Brazil increased by +29% YoY, reaching 861 GWh in 2017, benefiting from the positive impact of the latest capacity additions along with higher wind resource (43% load factor vs 35% in 2016; +127 MW).

In Europe, EDPR's output increased 4% YoY to 11.7 TWh mainly supported by 3% output increase in Spain and 12% in the Rest of Europe, with outstanding wind resource in the last quarter of the year.

EDPR achieved a 27% load factor in Portugal reflecting slightly lower wind resource (-1pp YoY). In Spain, EDPR delivered a load factor of 27% with a solid premium over the Spanish market average load factor (+3pp), benefiting from a strong 4Q17 (+8pp YoY) and offsetting the lower performance of the first nine months of the year. In the Rest of Europe EDPR posted higher year-on-year generation (+12%) supported by a 27%load factor (vs 25% in 2016).

PROPELLED BY THE CAPACITY ADDITIONS IN 2017, EDPR MANAGES A PORTFOLIO OF 11.0 GW SPREAD OVER 11 COUNTRIES

By the end of 2017, EDPR had 828 MW of wind onshore under construction. In the US 480 MW were under construction, namely Turtle Creek 202 MW (Iowa), Meadow Lake VI 200 MW (Indiana) and Arkwright 78 MW (New York) projects. In Europe 211 MW were under construction (77 MW in Italy, 68 MW in Spain, 55 MW in Portugal and 11 MW in France). In Brazil a total of 137 MW related to Babilonia wind farm were under construction.

As a result of continuous growth effort, EDPR also has a young portfolio with an average operating age of 7 years, with an estimate of over 22 years of useful life remaining to be captured.

3.1.2. FINANCIAL PERFORMANCE

Revenues increased 11% YoY to €1.8 billion and EBITDA summed €1.4 billion.

In 2017, EDPR's revenues totaled €1,827 million, an increase of €176 million when compared with 2016 mainly due to higher MW in operation, positive impact from prices despite lower average selling price year on year (€59/MWh vs €61/MWh in 2016) mainly as a result of capacity additions mix (product vs price), along with higher wind resource which also propelled EDPR's electricity output to an increase of 13% vs 2016.

Reported EBITDA increased by 17% year on year to €1,366 million leading to an EBITDA margin of 75%. If adjusted by non-recurring items, 2017 EBITDA increased 13% and EBITDA per MW in operation increased 7% to €134 thousand. Core opex (defined as Supplies and Services along with Personnel Costs) per average MW in operation decreased 2% year on year reflecting strict control over costs and EDPR's asset management strategy.

Other operating costs decreased to €128 million, mainly explained by one-offs in 2016 despite 2017 higher capacity in operation.

| FINANCIAL HIGHLIGHTS (€ millions) | 2017 | 2016 | ▲% / € |
|--|-------------|-------------|---------------|
| Income Statement | | | |
| Revenues | 1,827 | 1,651 | +11% |
| EBITDA | 1,366 | 1,171 | +17% |
| Net Profit (attributable to EDPR equity holders) | 276 | 56 | +390% |
| Cash-Flow | | | |
| Operating Cash-Flow | 981 | 869 | +13% |
| Retained Cash-Flow | 1,114 | 698 | +60% |
| Net investments | 1,036 | 96 | +976% |
| Balance Sheet | | | |
| Assets | 16,224 | 16,734 | -511 |
| Equity | 7,895 | 7,573 | +322 |
| Liabilities | 8,329 | 9,161 | -833 |
| Liabilities | | | |
| Net Debt | 2,806 | 2,755 | +51 |
| Institutional Partnerships | 1,249 | 1,520 | -271 |

Net profit reached €276 million.

All in all, Net Profit totaled €276 million and Adjusted Net Profit €226 million, if adjusted for non-recurring events (one-offs: 2016 +€110 million, including depreciation schedule adjustment to 30 years; 2017 -€50 million, mainly related to positive adjustments on asset rotation past transactions, impairment losses and one-offs in taxes).

Retained cash flow increased 60% YoY to €1,114 million, capturing assets' cash generation capabilities.

Despite the challenging year EDPR was able to deliver a robust cash-flow generation. Following EBITDA cash-generation, income tax of the year, interests, banking and derivatives expenses and minority dividends/interest payments, 2017 Retained Cash-Flow increased 60% to €1,114 million. In 2017, RCF includes a non-recurrent event (+€168 million from bonus depreciation) in Tax Equity realized revenues, if adjusted by such event, RCF increased by 35% year on year.

Capital expenditures totaled €1,051 million reflecting the capacity added in the year, the capacity under construction and enhancements in capacity already in operation. Pursuing the strategic partnership between EDPR's main shareholder (EDP) and CTG, in 2017 occurred the settlement of CTG – ENEOP transaction for a total amount of €247 million.

Net Debt totaled €2,806 million, €51 million higher year on year, mainly reflecting the investments done and changes from consolidation perimeter variations in Mexico.

INCOME STATEMENT

SOLID TOP LINE PERFORMANCE

EDPR revenues increased 11% year on year to €1,827 million, an increase of €176 million when compared with 2016 mainly due to higher installed capacity, positive impact from prices despite lower average selling price due to generation mix, along with higher wind resource year on year.



Other operating income amounted €95 million with the year on year performance benefited by a gain (+€29 million) following the sale of a stake and loss of control of a UK offshore project and gains in past asset rotation transaction's adjustments along with a revaluation gain related to the acquisition of assets.

Operating Costs (Opex) totaled €556 million, with higher capacity in operation. In detail, Core Opex totaled €428 million, with Core Opex per Avg. MW and per MWh decreasing by 2% and 5% respectively, reflecting strict control over costs and EDPR's asset management strategy. Other operating costs decreased to €128 million, mainly explained by one-offs in 2016 despite 2017 higher capacity in operation.

EBITDA increased by 17% year on year to €1,366 million, leading to an EBITDA margin of 75% and unitary EBITDA per MW in operation totaled €134 thousand (+7% vs 2016). Adjusted EBITDA summed €1,339 million (+13% vs Adj. EBITDA in 2016 of €1,184 million) if adjusted by non-recurrent events.

Operating income (EBIT) increased 42% year on year to €803 million, driven by the positive top line performance as well as a 7% decrease in depreciation and amortization cost (including provisions, impairments and net of government grants) due to EDPR's change in depreciation schedule that offset the negative impact from higher capacity in operation.

At the financing level, Net Financial Expenses decreased to €302 million mainly reflecting the lower Net interest cost of debt after favorable negotiations along with lower average debt and with yearly comparison impacted by a €30 million one off accounted (in 2016) in Other financial expenses mainly on the back of early cancelation and optimization of certain project finances.

In 2017, Pre-Tax Profit summed €504 million, with income taxes totaling €48 million. Effective tax rate was 10%, positively impacted by the outcome of the US tax reform by the end of the year. Non-controlling interests amounted to €180 million, increasing year on year in line with top line performance and changes in depreciation schedule along with EDPR settlement of previous minority stakes transactions. All in all, Net Profit totaled €276 million and adjusted Net Profit € 226 million (+36% vs 2016 adjusted at €166 million) if adjusted for non-recurring events.

| CONSOLIDATED INCOME STATEMENT (€ million) 2017 2016 ▲% / € | | | |
|---|--------------|--------------|--------------|
| Revenues | 1,827 | 1,651 | +11% |
| Other operating Income | 95 | 54 | +77% |
| Supplies and services | (327) | (305) | +7% |
| Personnel costs | (101) | (94) | +7% |
| Other operating costs | (128) | (135) | (5%) |
| Operating Costs (net) | (461) | (480) | (4%) |
| EBITDA | 1,366 | 1,171 | +17% |
| <i>EBITDA/Net Revenues</i> | <i>75%</i> | <i>71%</i> | <i>+4pp</i> |
| Provisions | 0.2 | (4.7) | - |
| Depreciation and amortisation | (583) | (624) | (7%) |
| Amortization of government grants | 20 | 22 | (12%) |
| EBIT | 803 | 564 | +42% |
| Financial Income / (expenses) | (302) | (350) | (14%) |
| Share of profits of associates | 2.7 | (0.2) | (1567%) |
| Pre-tax profit | 504 | 214 | +136% |
| Income taxes | (48) | (38) | +28% |
| Profit of the period | 456 | 176 | 2 |
| Net Profit Equity holders of EDPR | 276 | 56 | 4 |
| Non-controlling interest | 180 | 120 | +51% |



BALANCE SHEET

Total equity increases by €322 million.

Total Equity of €7.9 billion increased by €322 million in 2017, of which €112 million attributable to non-controlling interests. The increased equity attributable to the shareholders of EDPR by €220 million is mainly due to €276 million of Net Profit and €96 million of Asset Rotation transactions, reduced by the €44 million in dividend payments.

Total liabilities decreased 9% by -€833 million, mainly due to a decreased in accounts payable (-€479 million), institutional partnerships (-€271 million) and financial debt (-€169 million).

With total liabilities of €8.3 billion, the debt-to-equity ratio of EDPR stood at 105% by the end of 2017, which is a decrease from the 121% in 2016. Liabilities were mainly composed of financial debt (39%), liabilities related to institutional partnerships in the US (15%) and accounts payable (28%).

Liabilities to tax equity partnerships in the US decreased 18% to €1,249 million, including +\$507 million of new tax equity proceeds received in the 2017. Deferred revenues related to institutional partnerships primarily represent the non-economic liability associated to the tax credits already realized by the institutional investor, arising from accelerated tax depreciation, and yet to be recognized as income by EDPR throughout the remaining useful lifetime of the respective assets.

Deferred tax liabilities reflect the liabilities arising from temporary differences between the accounting and the tax basis of assets and liabilities. Accounts payables include trade suppliers, PP&E suppliers, deferred income related to investment grants received and derivative financial instruments.

As total assets totaled €16.2 billion in 2017, the equity ratio of EDPR reached 49%, versus 45% in 2016. Assets were 81% composed of net PP&E - property, plant and equipment, reflecting the cumulative net invested capital in renewable energy generation assets.

Total net PP&E of €13.2 billion changed to reflect €1,047 million of new additions during the year and €222 million from other (changes in Mexico consolidation perimeter and the acquisition of 50% stake in a Spanish wind farm partially offset by the loss of control over Moray (UK) and other impairments), reduced by €984 million from negative exchange differences along with €537 million from depreciation charges, impairment losses and write-offs.

Net intangible assets of €1.5 billion mainly include €1.3 billion from goodwill registered in the books, for the most part related to acquisitions in the US and Spain, while accounts receivable is mainly related to loans to related parties, trade receivables, guarantees and tax receivables.

STATEMENT OF FINANCIAL POSITION (€ MILLION)

| STATEMENT OF FINANCIAL POSITION (€ million) | 2017 | 2016 | ▲% / € |
|---|---------------|---------------|--------------|
| Assets | | | |
| Property, plant and equipment, net | 13,185 | 13,437 | (252) |
| Intangible assets and goodwill, net | 1,546 | 1,596 | (50) |
| Financial investments, net | 312 | 348 | (36) |
| Deferred tax assets | 64 | 76 | (11) |
| Inventories | 29 | 24 | +5 |
| Accounts receivable – trade, net | 364 | 266 | +98 |
| Accounts receivable – other, net | 235 | 338 | (103) |
| Collateral deposits | 43 | 46 | (3) |
| Cash and cash equivalents | 388 | 603 | (215) |
| Assets held for sale | 58 | - | +58 |
| Total Assets | 16,224 | 16,734 | (511) |

| STATEMENT OF FINANCIAL POSITION (€ million) | 2017 | 2016 | ▲% / € |
|---|---------------|---------------|--------------|
| Equity | | | |
| Share capital + share premium | 4,914 | 4,914 | - |
| Reserves and retained earnings | 1,146 | 1,155 | (10) |
| Net profit (equity holders of EDPR) | 276 | 56 | +220 |
| Non-controlling interests | 1,560 | 1,448 | +112 |
| Total Equity | 7,895 | 7,573 | +322 |
| Liabilities | | | |
| Financial debt | 3,237 | 3,406 | (169) |
| Institutional partnerships | 1,249 | 1,520 | (271) |
| Provisions | 276 | 275 | +1 |
| Deferred tax liabilities | 356 | 365 | (9) |
| Deferred revenues from institutional partnerships | 915 | 819 | +95 |
| Accounts payable – net | 2,297 | 2,776 | (479) |
| Total Liabilities | 8,329 | 9,161 | (833) |
| Total Equity and Liabilities | 16,224 | 16,734 | (511) |

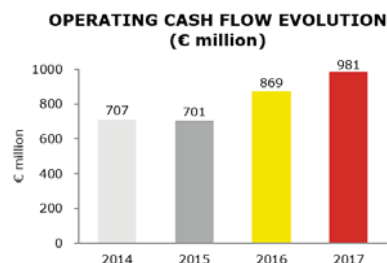
CASH FLOW STATEMENT

STRONG OPERATING CASH-FLOW

In 2017, EDPR generated Operating Cash-Flow of €981 million, an increase of 13% year on year, reflecting EBITDA performance and reinforcing the generation capabilities of its assets in operation.

The key items that explain 2017 cash-flow evolution are the following:

- Funds from operations, resulting from EBITDA after net interest expenses, share of profits of associates and current taxes, increased to €1,184 million.
- Operating Cash-Flow, which is EBITDA net of income tax and adjusted by non-cash items and net of changes in working capital, was €981 million.
- Capital expenditures with capacity additions, ongoing construction and development works totaled €1,051 million. Other net investing activities amounted to €29 million (cash-in).
- Pursuing the strategic partnership between EDPR's main shareholder (EDP) and CTG, in 2017 occurred the settlement of CTG – ENEOP transaction, for a total amount of €247 million.
- Proceeds from new institutional tax equity financing structure totaled €445 million, related to the tax equity signed in the US for 363 MW of wind energy projects and 60 MW of Solar PV plants. Payments to institutional partnerships totaled €195 million contributing to the reduction of Institutional Partnership liability. Total net dividends and other capital distributions paid to minorities amounted to €115 million (including €44 million to EDPR shareholders). Forex & Other had a negative impact increasing Net Debt by €269 million, mainly reflecting the consolidation of Mexican wind farm, despite dollar depreciation vs Dec-16.
- Retained Cash Flow, which captures the cash generated by operations to re-invest, distribute dividends & amortize debt, increased to €1,114 million. In 2017, RCF includes a non-recurrent event (+€168 million from bonus depreciation) in Tax Equity realized revenues, if adjusted by such event, RCF increased 35% vs 2016. Net Debt & Institutional Partnership Liability decreased by €220 million.



| CASH FLOW (€ million) | 2017 | 2016 | ▲% / € |
|---|--------------|--------------|---------------|
| EBITDA | 1,366 | 1,171 | +17% |
| Current Income Tax | (46) | (50) | (7%) |
| Net interest costs | (139) | (179) | (22%) |
| Share of profits of associates | 3 | (0.2) | - |
| FFO (Funds from operations) | 1,184 | 942 | +26% |
| Net interest costs | 139 | 179 | (22%) |
| Income from associated companies | (3.0) | 0.2 | - |
| Non-cash items adjustments | (52) | (12) | +338% |
| Changes in working capital | (62) | (43) | +43% |
| Operating Cash Flow | 981 | 869 | +13% |
| Capex | (1,051) | (1,029) | +2% |
| Financial Investments | 15 | (31) | (149%) |
| Changes in working capital related to PP&E suppliers | 14 | 10 | +36% |
| Government Grants | (0.02) | 0.8 | (102%) |
| Net Operating Cash Flow | (41) | (181) | (77%) |
| Sale of non-controlling interests and shareholders' loans | 247 | 1,189 | (79%) |
| Proceeds/(Payments) related to Institutional partnerships | 250 | 452 | (45%) |
| Net interest costs (post capitalisation) | (123) | (156) | (21%) |
| Dividends net and other capital distributions | (115) | (146) | (21%) |
| Forex & Other | (269) | (207) | +30% |
| Decrease / (Increase) in Net Debt | (51) | 952 | (105%) |



FINANCIAL DEBT

LONG-TERM AND STABLE DEBT PROFILE

EDPR's Net Debt totaled €2.8 billion, an increase of €51 million vs 2016, mainly reflecting the investments done in the year and changes resulting from consolidation perimeter variations in Mexico.

Loans with EDP group, EDPR's principal shareholder, accounted for 70% of the debt, while loans with financial institutions represented 30%.

As of December 2017, 42% of EDPR's financial debt was Euro denominated, 46% was funded in US dollars, related to the company's investment in the US and the remaining 12% was mostly related with debt in Polish Zloty and Brazilian Real.

EDPR continues to follow a long-term fixed rate funding strategy, matching the operating cash-flow profile with its financial costs and therefore mitigating interest rate risk. Accordingly, 84% of EDPR's financial debt had a fixed interest rate. As of December 2017, 11% of EDPR's financial debt had maturity in 2018, 12% in 2019, 28% in 2020 and 49% in 2021 and beyond. In 1Q17, EDPR renegotiated a maturity extension of €1.4 billion, which was initially contracted in 2009 with EDP and scheduled to mature in 2018.

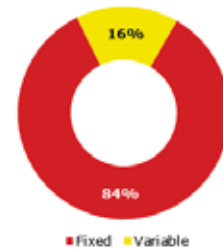
In 2017, the average interest rate was 4.0% (flat YoY), reflecting EDPR's €2.8 billion debt restructured and early amortized since 1Q16.

INSTITUTIONAL PARTNERSHIPS

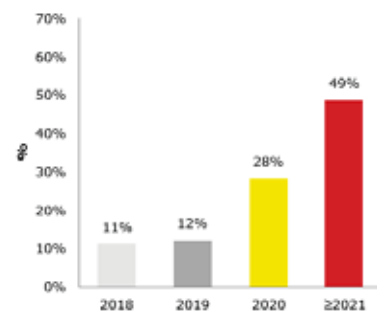
Liabilities referred to Institutional Partnerships totaled €1,249 million (-€271 million vs 2016) reflecting the benefits captured by the projects and by the establishment of a new institutional Tax Equity financing structure along with forex translation.

| FINANCIAL DEBT (€ million) | 2017 | 2016 | ▲ € |
|---|--------------|--------------|-------------|
| Nominal Financial Debt + Accrued interests | 3,237 | 3,406 | -169 |
| Collateral deposits associated with Debt | 43 | 46 | -3 |
| Total Financial Debt | 3,194 | 3,360 | -166 |
| Cash and Equivalents | 388 | 603 | -215 |
| Loans to EDP Group related companies and cash pooling | 0.02 | 1 | -1 |
| Financial assets held for trading | - | - | - |
| Cash & Equivalents | 388 | 605 | -217 |
| Net Debt | 2,806 | 2,755 | +51 |

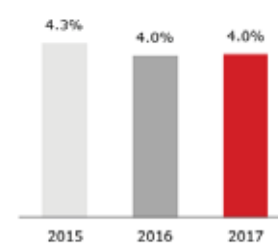
DEBT INTEREST RATE TYPE PROFILE



DEBT MATURITY PROFILE (%)



COST OF DEBT (%)



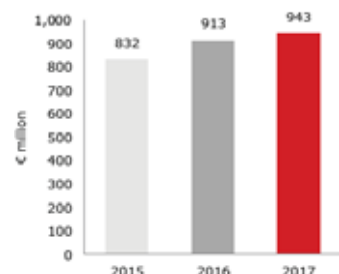
EUROPE

REVENUES

In Europe, EDPR delivered revenues of €943 million, an increase of €30 million versus 2016, reflecting the impact from higher electricity output that increased 4% versus 2016 to 11.7 TWh, and despite lower average selling price. European output benefited from capacity additions over the year along with higher load factor 31% (vs 30% in 2016). In 2017, European generation accounted for 42% of EDPR total output.

In detail, the increase in revenues was mainly the result of higher revenues in Spain, France, Italy and Romania on the back of higher generation or higher average selling prices.

REVENUES EVOLUTION (C million)



AVERAGE SELLING PRICE

In 2017, EDPR average selling price in Europe decreased 1% to €81 per MWh, mainly driven by a 17% lower average selling price in Poland, on the back of lower green certificate prices and a regulatory change in the substitution fee calculation method (now calculated as 125% of previous year GC avg. price).

AVERAGE SELLING PRICE (C/MWh)



NET OPERATING COSTS

Net Operating costs decreased €32 million, to €215 million, mainly explained by the increased in Other operating income totaling €66 million, with the increase year on year mainly explained by a capital gain following the sale, and loss of control, of a stake on an offshore UK project (€29 million) and gains in past asset rotation transaction's adjustments along with a revaluation gain related to the acquisition of assets. Supplies and Services and Personnel costs increased year on year on the back of higher capacity in operation and Other operating costs decreased 5%, reflecting EDPR's strict control over costs.

In 2017, Core Opex (Supplies & Services and Personnel Costs) per average MW in operation totaled €39 thousand (+0.4% year on year) and Core Opex per MWh decreased 2% year on year to €17 benefited from the higher output in the year.

All in all, EBITDA in Europe totaled €729 million reflecting an EBITDA margin of 77% and leading to an EBIT of €437 million. In 2017, depreciations and amortizations (including provisions, impairments and net of amortizations of government grants) decreased by 5% YoY, reflecting the change in EDPR depreciation schedule from 25 to 30 years.

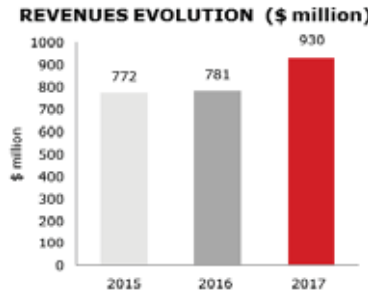
| EUROPE STATEMENT (€ million) | 2017 | 2016 | ▲ % / € |
|-------------------------------------|-------------|-------------|----------------|
| Revenues | 943 | 913 | +3% |
| Other operating income | 66 | 35 | +90% |
| Supplies and services | (167) | (162) | +3% |
| Personnel costs | (30) | (30) | (2%) |
| Other operating costs | (84) | (89) | (5%) |
| Operating Costs (net) | (215) | (247) | (13%) |
| EBITDA | 729 | 666 | +9% |
| EBITDA/Net Revenues | 77% | 73% | +4pp |
| Provisions | (0.2) | (5) | - |
| Depreciation and amortisation | (295) | (303) | (3%) |
| Amortization of government grants | 3 | 1 | +159% |
| EBIT | 437 | 360 | +21% |



NORTH AMERICA

REVENUES

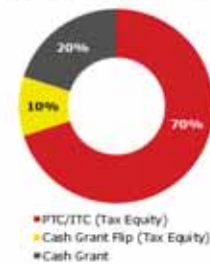
In 2017, Revenues increased \$150 million to \$930 million, (+19% year on year) on the back of the 20% increase in electricity output and a stable average selling price in the year.



AVERAGE SELLING PRICE

Average selling price in the region was flat year on year at \$46 per MWh. In the US, reflecting capacity additions and different mix of load factors vs prices, the average price totaled \$46 per MWh (-1% vs 2016). In Canada, EDPR average selling price was \$112 per MWh (+2% vs 2016) and in Mexico average selling price was \$60 per MWh.

US INSTALLED CAPACITY BY TAX INCENTIVE



NET OPERATING COSTS

Net Operating costs summed \$254 million, \$29 million higher vs 2016, mainly explained by higher Personnel costs and Supplies and Services, justified by the higher capacity in operation and the Operational and Maintenance strategy. Core Opex (Supplies and Services and Personnel costs) per average MW in operation decreased by 1% versus 2016 to \$47 thousand, reflecting EDPR focus on efficiency and control over costs along with an increase in average MW in operation. Core Opex per MWh decreased by 4% to \$15, also benefitting by the higher wind resource in the year.

INSTITUTIONAL PARTNERSHIPS AND GOVERNMENT GRANTS

Income from institutional partnerships was 17% higher year on year to \$255 million, reflecting new tax equity partnerships and the output from projects generating PTCs, along with PTCs upward price revision to \$24 per MWh.

EDPR completed \$507 million of tax equity financing in exchange for an interest in the 100 MW Meadow Lake V, 99 MW Redbed Plains, 98 MW Quilt Block and 66 MW Hog Creek US wind farms along with 60 MW of three solar PV plants in South Carolina.

| NORTH AMERICA STATEMENT (US\$ million) | 2017 | 2016 | ▲%/US\$ |
|---|-------------|-------------|----------------|
| Electricity Sales & Other | 676 | 562 | +20% |
| Income from Institutional Partnerships | 255 | 219 | +17% |
| Revenues | 930 | 781 | +19% |
| Other operating income | 25 | 26 | (3%) |
| Supplies and services | (176) | (154) | +14% |
| Personnel costs | (57) | (49) | +17% |
| Other operating costs | (47) | (48) | (3%) |
| Operating Costs (net) | (254) | (225) | +13% |
| EBITDA | 676 | 555 | +22% |
| EBITDA/Net Revenues | 73% | 71% | +2pp |
| Provisions | 0.4 | 0.1 | +315% |
| Depreciation and amortisation | (311) | (343) | (9%) |
| Amortization of government grants | 18 | 23 | (21%) |
| EBIT | 384 | 235 | +63% |

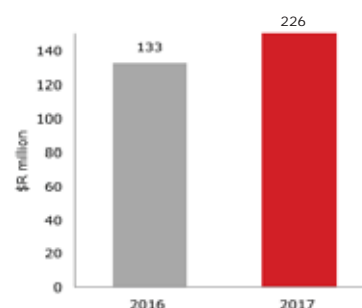
Due to the strong North America top line performance, EBITDA increased to \$676 million (+22% year on year) and reached an EBITDA margin of 73% (+2pp vs 2016).

BRAZIL

REVENUES

In Brazil, EDPR reached revenues of R\$226 million (+R\$94 million vs 2016), representing a year on year increase of 71%, explained by an increased in electricity generation on the back of higher installed capacity and a stronger wind resource.

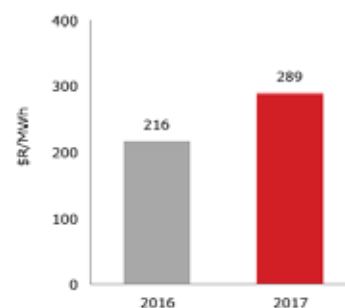
REVENUES EVOLUTION (\$R million)



AVERAGE SELLING PRICE

The average selling price in Brazil increased to R\$289 per MWh in the year, reflecting a temporary PPA unwinding at Baixas do Feijão wind farm (120 MW).

AVERAGE SELLING PRICE (\$R/MWh)



As of December 2017, EDPR had a total installed capacity of 331 MW in Brazil including 127 MW of new additions related to JAU & Aventura wind farms. Brazilian projects operate under programs with long-term contracts to sell the electricity produced for 20 years, providing long-term visibility over cash-flow generation throughout the projects' life.

NET OPERATING COSTS

Net Operating costs totaled R\$23 million, a decrease of R\$12 million versus 2016 mainly due to higher Other operating revenues, that increased R\$18 million related to adjustments in past minority stake sales transactions. Operating costs totaled R\$47 million (+R\$5 million vs 2016) in line with higher installed capacity. Reflecting the strict control over costs, higher average capacity in operation and increased efficiency, Core Opex totaled R\$41 million, with Core Opex per Avg. MW and per MWh decreasing by 27% and 13% respectively, year on year.

Following the outstanding top line performance, in 2017, EBITDA reached R\$203 million (vs R\$97 million in 2016), with higher YoY EBITDA margin (90%; +17pp vs 2016).

| BRAZIL INCOME STATEMENT (R\$m) | 2017 | 2016 | ▲%/R\$ |
|---------------------------------------|-------------|-------------|---------------|
| Revenues | 226 | 133 | +71% |
| Other operating income | 24 | 6 | +298% |
| Supplies and services | (33) | (28) | +17% |
| Personnel costs | (8) | (8) | (4%) |
| Other operating costs | (6) | (6) | +12% |
| Operating Costs (net) | (23) | (36) | (35%) |
| EBITDA | 203 | 97 | +110% |
| EBITDA/Net Revenues | 90% | 73% | +17pp |
| Provisions | (0.03) | - | - |
| Depreciation and amortisation | (37) | (31) | +21% |
| Amortization of government grants | 0.21 | 0.18 | +17% |
| EBIT | 166 | 66 | +152% |

OTHER REPORTING TOPICS

RELEVANT AND SUBSEQUENT EVENTS

The following are the most relevant events from 2017 that have an impact in 2018 and subsequent events from the first months of 2018 until the publication of this report.

- Completion of sale of minority stake in Portuguese assets to CTG
- Increase of EDP qualified shareholding over EDPR to 82.56%
- Sale of a 23% stake in UK wind offshore project Moray Offshore Windfarm (East)
- EDPR secures 125 MW long-term contract in Northern Indiana, US
- EDPR consortium is awarded with long-term CfD for 950 MW in the UK
- EDPR is awarded a long-term RESA for 248 MW of wind onshore in Canada
- EDPR is awarded long-term contracts for 218 MW of wind at the Brazilian energy auction
- EDPR completed \$507 million funding of tax equity in the US for all its 2017 projects
- EDPR secures a 200 MW PPA for a new wind farm in the US

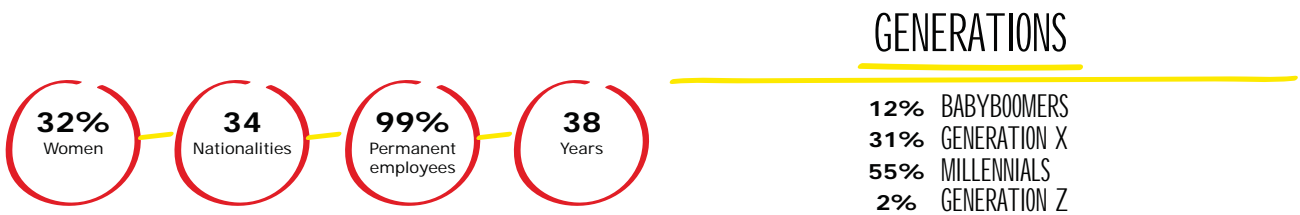
For additional information on these events, please refer to Note 39 of EDPR Consolidated Annual Accounts.

INFORMATION ON AVERAGE PAYMENT TERMS TO SUPPLIERS

In 2017 total payments made from Spanish companies to suppliers, amounted to €173,264 thousand with a weighted average payment period of 51 days, below the payment period stipulated by law of 60 days.

3.2. STAKEHOLDERS

3.2.1. EMPLOYEES



EDPR, which is home to three different generations, has currently presence in 12 markets and is constantly adapting to the changing business reality. Its HR policies are based on the Business Plan Achievements and actions focused on active listening its employees. EDPR has launched different initiatives along 2017 resulting on different tools to be a more human company.

A customized value proposition is offered to the employees throughout their employee journey, which allows them to join a multinational team and grow with it. The most relevant initiatives launched in 2017 are based on **flexibility, efficiency, transparency and development**.



EDPR has an ongoing commitment to seek new HR initiatives, programs and measures and it is essential to practice active listening by hearing employees' opinions, viewpoints and needs and work upon them. With the 2016 Climate survey and the active participation of all employees, an Action plan was developed with the main objective of turning EDPR a greater place to work. As a result, new initiatives, programs and activities were launched during the year of 2017.

With the 5 main pillars in mind (1. Work, Structure & Process; 2. Performance Management; 3. Authority & Empowerment; 4. Collaboration/Communication; 5. Flexibility & Work Life Balance), 82% of those planned actions have already been implemented and completed.

In this context, EDPR measures in an annual basis two dimensions as main global metrics of organizational climate: engagement, which refers to employees' level of commitment and motivation, and enablement, which concerns their perception of organizational support. For the following year, with the measures and actions executed in 2016 and 2017, EDPR has defined a target of increasing 2,5% the engagement and enablement of its employees.



JOINING & INTEGRATING

ATTRACTING TALENT

At EDPR, we strive to attract and retain professionals who seek to excel in their work in order to position the company as the "the first choice for employees" in the labor market. In this sense, EDPR launches some activities on an ongoing basis to strengthen its image as a leading employer. Some of those initiatives are Job fairs and Universities visits which gives EDPR visibility to different generations. During 2017, EDPR welcomed 259 employees, of whom 32% women. The average age of new hires was 31 years old. 71% of the total hires correspond to levels of Specialists and Technicians, of which 67% have University degree and above. 91% of the hires in 2017 were allocated in permanent positions and EDPR counted with 24 different nationalities among that group. Furthermore, 102 internships were offered, of which 11% were translated into new hires.

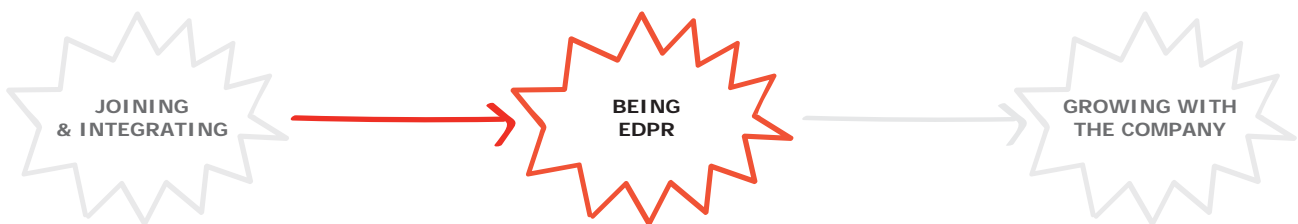
In EDPR, non-discrimination and equal opportunities are enshrined during all the selection processes. This is reflected in the Code of Ethics, which contains specific clauses on non-discrimination and equal opportunities, in line with the company's culture of diversity. Regarding the respect for human and labor rights.

INTEGRATING NEW EMPLOYEES

The Welcome and Integration initiatives are activities that aim to:

- Facilitate new employees' integration;
- Provide with fundamental knowledge about the culture and business;
- Promote internal networking;
- Contribute to make new employees feel the EDPR spirit.

Among the initiatives to integrate new staff, EDPR includes an Onboarding Kit with general information about the company and helpful contacts and a Welcome Day. The Welcome Day is a three-days event which helps new hires to reach the goals mentioned previously with different activities, such as a visit a windfarm or a remote dispatch center.



BEING EDPR

TRANSPARENCY

Part of EDPR value proposition is a competitive remuneration package, aligned with the best practices in the market. EDPR Compensation Package includes (i) an Annual Base Salary and (ii) a Variable Pay depending on the achievements of individual, area and company KPIs, and also an (iii) above market practice benefits package such as Health Insurance or Pension Plan.

The Remuneration package is not static, which means that it evolves at the same pace of employees' needs and concerns as well as the business. In 2017, the Human Resources Department has focused on analyzing the life-cycle status of

MANAGEMENT REPORT 2017

EDPR employees (by generation, personal situation - meaning with or without children) in order to offer a tailor-made Benefits Package, with an individualized approach from a communication perspective.

EFFICIENCY

With the aim of delivering excellent results and meeting deadlines, EDPR employees need to be flexible and highly responsible on their daily routine. Around this dynamic, EDPR has designed work smarter a Code that includes a set of guidelines to work efficiently by maximizing the time efficiency of each daily tasks. These tasks are mainly regarding work organization, email & phone and meetings.

Additionally, different initiatives have taken place during the year in order to involve employees around this new way of working. Some of the initiatives were placing inspiring sentences and clocks in the meeting rooms to remind that time is gold.

FLEXIBILITY

EDPR believes that Work Life Balance (WLB) must be a shared responsibility and its practices have been awarded for seven years now the Responsible Family Employer Certification (EFR – Empresa Familiarmente Responsable) by Spain's Fundación MásFamilia. To continue this achievement, it is important to have a constant improvement on the measures in order to provide the most suitable and updated benefits to employees. The offered benefits include different areas, such as, Maternity/Paternity Leave, Kindergarten allowance, Dependent Allowance, Flexible working hours as well as several actions thinking about savings and future, mobility and communication.

Along 2017, the following benefits were launched for the first time:

- **Sport Aids:** This is a benefit which aims to support healthy lifestyle by giving a monetary aid per month to employees for the usage on sports activities.
- **Flexible Work:** EDPR gives the possibility to work from another location in exceptional situations by providing the means to perform with the same efficiency as working in the usual work office.
- **Book Club:** A recent initiative with the aim to share the emotions that only good books can offer us between employees by switching a book by another at the Club. Once a year all existing books in the Clubs will be donated.
- **Energy School Kit:** To respond the most common request of the employees, it was created a kit with the necessary material to explain in a didactic way what are renewable energies. This action is done in schools for children starting to have the first touch with jobs.



GROWING WITH THE COMPANY

DEVELOPMENT

EDPR is committed to the development of its employees, offering them an attractive professional career and aligning their capabilities and skills with the current and future needs of the company. The growth and development of the Group's business has led EDPR able to invest in the employees by discovering, improving and emphasizing the potential of each, which can contribute to the value creation. EDPR objective is to create opportunities for its employees through mobility and development actions to boost the employees aptitudes. The HR strategy supports different initiatives to give them visibility and foster their professional development inside the company.

Vacant positions are advertised internally as a result, 71% of new Directors have been hired internally in 2017. The cornerstones of development at EDPR are Mobility & Training and Development Programs.

MOBILITY

EDPR considers mobility, both functional and geographical, as a human resources management tool that contributes to the organizational development. It is considered internally as a way of stimulating employees' motivation, skills, productivity and personal fulfilment. The mobility processes within EDPR aim to respond to the different challenges and needs of the Group, taking into account the particular characteristics of the different geographies.

 **2017 INTERNAL MOBILITY** 

- 32 FUNCTIONAL
- 12 GEOGRAPHICAL
- 10 FUNCTIONAL AND GEOGRAPHICAL

TRAINING AND DEVELOPMENT PROGRAMS

The employees' development is a strategic target for EDPR. That is why a job-specific ongoing training opportunities are offer with the purpose of contributing towards the enhance of knowledge and skills, as well as specific development programs aligned with the company's strategy.

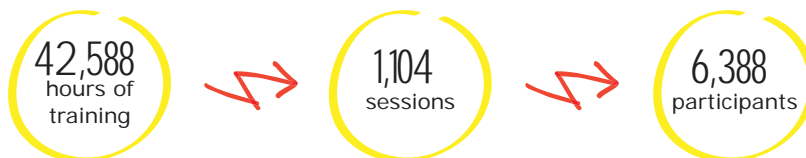
The 360 potential appraisal process is created for all employees with the objective of defining each person training needs along with their manager, being the main foundation to define a customized Training Plan.

The Training Plan consists of up to two courses from the Renewable Energy School - EDP University, one Technical, Management or Behavioral training course, optional languages courses and others from free election which are seen as important for the improvement of the employee. The differentiation point about EDP University's courses is that usually contains subjects to promote the development of the skills needed to ensure the sustainability of EDPR's business across all the markets where the company is present. Here, the networking and the share of best practices within EDP tutors and participants are unreplacable experiences.

Furthermore, in order to support the company's growth, aligning current and future organizational demands with employees' capabilities, as well as to enhance their professional development, EDPR has designed development programs for middle management, with the goal of providing them with the proper tools to take on new responsibilities.

During 2017, EDPR carried with the Coaching Program which are sessions given to middle management to fine-tune their skills with the support of internal directors.

With the total of:



99% of our employees received training

This translates into 35 hours per employee.

All these measures and commitment with the employee' well-being were recognize by Great Place to Work as EDPR was once again ranked as one of the 50 best companies to work in Spain and Poland. EDPR believes that motivated workforce aligned with the company's strategy is one of the key drivers behind the ability to deliver results.

3.2.2. COMMUNITIES

During the entire lifecycle of the wind farms, EDPR provides several economic benefits to the surrounding areas.

INFRASTRUCTURE INVESTMENTS

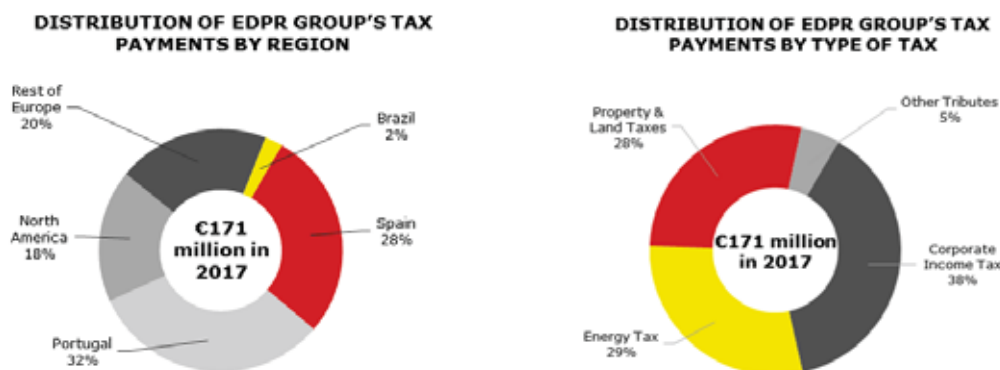
For the construction of wind farms, some infrastructures like roads, are required for the transportation of heavy equipment. Therefore, the construction of new roads and the rehabilitation of the existing ones will also benefit the surrounding community improving the connection for the local inhabitants. In addition, to continue with the construction flow of the wind farm and mainly in areas where wind energy is in early stages, it may be essential an upgrade of the distribution and transmission grids from the existent distribution and transmissions system operators. EDPR supports these upgrades, financially and technically, indirectly benefiting the quality of the electric service on the area. In 2017, EDPR invested c. €7 million to develop community roads and €1.6 million to improve public electric facilities.

LOCAL HIRING AND PROCUREMENT PRACTICES

With the aim of improving the local economic development, a high percentage of the employees and 99% of the purchases come from locations where EDPR operates. These employees usually are designated to operational activities, such as wind farm management, wind turbines operation and maintenance, electrical and civil works maintenance environmental surveillance and other support services. EDPR benefits from the specific knowledge from the local workers.

TAX CONTRIBUTION

It is an ethical and civic duty to contribute to the financing of the general functions of the States where the Group is present through the payment of taxes, contributing to the welfare of citizens, to a sustainable development of the Group's local businesses and to the value creation for shareholders. The total tax contribution of EDPR Group to the public finances amounts to €171 million in year 2017. Moreover, EDPR's Social Security contribution amounts to €13 million.



COMMUNITY PROJECTS:

EDPR believes that in order to make a positive impact on the communities where is operating and to enhance the responsible company reputation, it is vital to work for the common good by promoting and supporting social and environmental initiatives.

In 2017, EDPR invested €2 million in initiatives with the community and approved the Social Investment Policy. This policy establishes the corporate objectives and strategies related to EDPR's Social Investment, which is expressed in Corporate Social Responsibility programs and activities in the communities where EDPR is present through internally developed and collaborative initiatives, donations and volunteering. This initiatives will impact positively the promotion and development of the following four main areas: Culture & Art; Social inclusion, Sustainable ways of living & Access to energy; Natural heritage and Biodiversity and Renewable Energy & Energy Efficiency.



In 2017, these were the most relevant initiatives throughout EDPR's geographies:

EDPR RURAL

EDPR Rural was launched in Brazil in 2016 in partnership with SEBRAE. The goal of this partnership is to qualify and train rural farmers to effectively produce and market their products in order to increase family incomes, better organize production and guarantee a diverse and secure supply. The program also contributes to restoring dignity and pride to agricultural professions.

During 2017, two big initiatives called "Mais Negocio" were held in two municipalities of Rio Grande do Norte in order to provide training on entrepreneurship and business management to the rural families enrolled in the program.

CLOSER2YOU

EDPR invests in the development of communities located near its operations and strives to form close relationships with them in order to guarantee a positive legacy for future generations. In keeping with these commitments, the company created the Closer2You initiative, whose first edition was held in Constanta County, Romania in 2016.

This year EDPR extended the initiative to Poland, Brazil and Portugal and rehabilitated a total of five homes. The biggest challenge was in Babilônia, Brazil, where EDPR worked with a low-income family with three children, two of whom suffer from a mental illness. The house was in such poor condition that it was decided build the family a new one. Collaboration agreements were reached with local authorities and suppliers in order to provide the family with water and more dignified conditions.



Before and after the house

The initiative is a way of enriching EDPR's relationships with stakeholders and is focused on sustainable communities. In 2018, Closer2You will continue to help families close to EDPR's facilities.

GENERATION EDPR

Generation EDPR, like the other programs, is a Corporate Social Responsibility (CSR) initiative. The differentiation point is its educational approach through renewable energy. Currently, there are four main projects: Your Energy, University Challenge, Windexperts and Green Education.

| |
|--|
| <p>YOUR ENERGY</p> <p>5,258 students in Spain, Italy and Poland</p> <p>UNIVERSITY CHALLENGE</p> <p>126 projects in Spain and Poland</p> <p>GREEN EDUCATION</p> <p>+100 students in Spain, France, Romania and Italy</p> <p>WIND EXPERTS</p> <p>76 school groups, 360 children in Spain</p> |
|--|

University Challenge aims to foster the spirit of innovation and creativity within the academic community, which in turn will promote a greater bond between universities and the business world. The program continued this year in its ninth edition in Spain and its second edition in Poland. It saw a significant increase in the number of projects submitted.

Your Energy is an international program that helps children discover the world of renewable energy, and **Green Education** supports the education of children and teenagers from families with limited resources.

Wind Experts is an educational program for children aged 10 to 13 about renewable energy while developing their sense of creativity. Through a partnership with Science4you, children received a model of a wind turbine, which they had to use to create a new structure using only recyclable materials. In 2018 it will also be developed in Portugal.

Learn more at generationedpr.edpr.com

MANAGEMENT REPORT 2017

EDPR SUPPORTS HURRICANE HARVEY RELIEF EFFORTS

In August 2017, the city of Houston and other surrounding cities were devastated by Hurricane Harvey and the damage caused by the severe flooding and wind. Having its headquarters there, EDPR reacted quickly in helping all the community affected by the disaster.

Both the company and its employees jumped into action by assisting their colleagues and the rest of the community. Initiatives including housing assistance, disaster pay, and additional paid volunteer time were offered to EDPR's employees. For the communities, several actions like home tear-downs and repairs, food banks and city clean-ups were organized by a group of volunteer EDPR employees, who dedicated some of their time (during or after work) to help. EDPR also donated over \$100,000 to some charities helping Hurricane Harvey Relief. These initiatives showed the spirit of share and compassion for the community that the company constantly strives to achieve.

FUNDACIÓN EDP

Fundación EDP's mission is to reinforce EDP's social responsibility with its stakeholders in the geographical areas in which it carries out its activity. This happens every year with the implementation of several programs and initiatives that seek to create value for society in different areas:

- In social matters, "EDP Solidaria" stands out for its support program for social transformation, which in 2017 has invested in 18 projects with a total amount of 0.5 million euros; and the "Energía Solidaria" program, which strives to increase the security, well-being and energy efficiency of the most disadvantaged families and the NGOs that collaborate with them.
- Fundación EDP's commitment to education and the first job continues to be reinforced year after year through different programs, with the main focus on the scholarships of first work experience which facilitate the entry of students in the business world.
- In the environmental area, it stands out the support to entities dedicated to environmental conservation by doing activities of conservation of different species.
- Fundación EDP also carries out activities in the cultural field, being particularly noteworthy in 2017, with the presence of Fundación EDP in the 76th Madrid Book Fair, in which Portugal was the guest country, showing the Portuguese cultural reality, with activities related to literature, cinema and music.

HUMAN RIGHTS:

According to the code of ethics, EDPR respects and undertakes to promote human rights, particularly in its supply chain.

The Principles of Sustainable Development of EDPR affirm the commitments to integrate the social aspects in planning and decision-making, to respect and promote respect for human rights in their sphere of influence, to reject abusive and discriminatory practices, as well as to ensure equal opportunities.

Additionally, EDP Group assumes the Universal Declaration of Human Rights and the conventions, treaties or international initiatives, such as the conventions of the International Labor Organization, the United Nations Global Compact and the guiding principles for business and human rights endorsed by the United Nations Human Rights Council – Ruggie Framework.

The strong sense of ethics at EDPR requires that its suppliers do not have conflicts with EDPR ethical standards. In this way, the acceptance of alignment with the spirit of EDPR's Code of Ethics and the UN Global Compact principles is required. Additionally, the EDP Group Sustainable Procurement Policy includes a reference to the promotion of respect for dignity and human rights and rejection of any form of forced labor or child labor, harassment, discrimination, abuse or other types of physical or psychological violence.

The channel for complaining to and questioning the Ethics Ombudsman of EDPR is the preferred means of contact related to the matters of human rights and labor, including in the context in the supply chain.



3.2.3. SUPPLIERS

The EDPR's market leadership, based in value creation capacity, innovation and relationship with its stakeholders, is much influenced by the performance of its suppliers.

EDPR bases its relationship with suppliers on trust, collaboration and creation of shared value. This results in a joint capacity to innovate, strengthen sustainability policy and improve quality of operations.

EDPR SUPPLY CHAIN

After a period of an extensive characterization study of EDPR's purchases, aiming a deeper knowledge about the economic, social and environmental impacts of EDPR's supply chain, 2017 was a year for definition of priorities concerning sustainability management.

The suppliers are evaluated throughout an multi criteria matrix (annual value spend; supply frequency; access to customers; access to technical equipment or sensitive data; supplier substitutability; component substitutability; supply failure consequence; supplier segmentation; safety risks, environmental risks and obligations) to identify their criticism.

Streamlining, from the point of view of criticism for the business, EDPR's suppliers are categorized in:

- **Critical suppliers:** Turbines, BOP (Balance of Plant) and O&M (Operation and Maintenance), and;
- **Non-critical suppliers:** Indirect purchases.

After the implementation of the Sustainable Procurement Policy, a better control has been introduced in the suppliers management process. This year, EDPR has worked in many areas, namely in the definition of pre-qualification and evaluation processes of its suppliers.



SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

EDPR has defined **policies and procedures** to ensure the several aspects that fill in with the sustainability of the supply chain, as well as the management and mitigation of any type of environmental, social or ethical risks in the supply chain.



In EDPR, 2017 has been a year of work in the definition and creation of the beginning of the processes of pre-qualification and evaluation of its suppliers.

Never losing of site the EDP Group Sustainable Procurement Policy, EDPR as the firm intention of continue to work with the best practices in this field.

EDPR continues to work with mature suppliers and companies that look to meet the demanding requirements on quality, environment and prevention, as well as to comply with economical/financial solvency requirements.

¹ Based on purchase orders placed in 2017

² Critical suppliers as defined as per EDP formal corporate standard methodology

^{3 & 4} Based on the total invoiced volume in 2017

⁵ Based on purchase orders placed in 2017. Local purchases are considered these ones realized in countries where EDPR has activities: from Brazil purchasing center in Brazil; from Europe purchasing center in all the European countries where EDPR operates, and from North America in US, Canada and Mexico.

POLICIES, PROCEDURES AND STANDARDS

| | | |
|---|---|--|
| Procurement Policy | <ul style="list-style-type: none"> • After an extensive characterization study of EDPR's purchases, aiming a deeper knowledge about the economic, social and environmental impacts of EDPR's supply chain, a congregation of policies started to be defined. • EDPR takes into account the 10 principles of the UN Global Compact and Code of Ethics acceptance, the Health & Safety and Quality certificates, as well as technical quality and economical/financial solvency of suppliers. | |
| Procurement Manual | <ul style="list-style-type: none"> • EDPR has a Procurement Manual, which includes sustainability principles to be taken into account when ordering products or contracting services. • These principles summarize the most relevant aspects for EDPR in terms of sustainability in the supply chain: health and safety, respect for the environment, ethics, local development and innovation. | |
| Code of Conduct | <ul style="list-style-type: none"> • In the end of 2017, EDP Group approved a Code of Conduct for all Suppliers. EDPR propelled all its suppliers to know and accept all the commitments involved (Compliance; Ethical; Environmental; Labor; Workplace, Safety and Health; Community and Human Rights and Management Commitments). • It spells out the general and common contractual rules <p>↳ EDP Code of Conduct is available in www.edp.com</p> | |
| EDPR's Code of Ethics | <ul style="list-style-type: none"> • EDPR is governed under a strong sense of ethics and requires its suppliers to have no conflicts with the company's ethical standards. • EDPR 's suppliers must know and accept by written the principles established in the Code of Ethics. <p>↳ EDPR's Code of Ethics is available in www.edpr.com</p> | 100% of the EDPR critical suppliers are aligned with Global Compact criteria and EDPR's Code of Ethics |
| UN Global Compact | <ul style="list-style-type: none"> • EDPR is a signatory of the UN Global Compact for Sustainable Development and is committed to implement these principles as well as to promote the adoption of these principles on its area of influence. • EDPR 's suppliers must accept to comply with the UN Global Compact's ten principles, on human rights, labor, environment and anti-corruption and provide the confirmation as signatories of the UN Global Compact directives or a written declaration of their acceptance. | |
| Health & Safety System and OH&S Policy | <ul style="list-style-type: none"> • Health & Safety System, based on the OHSAS 18001:2007 specifications require EDPR's employees and all other individuals working on behalf of EDPR to follow best practices in those areas, as required in EDPR's OH&S Policy. • The health and safety management system is supported by different manuals, control procedures, instructions and specifications which ensure the effective execution of EDPR's OH&S Policy. <p>↳ EDPR 's Health & Safety Policy are available in www.edpr.com</p> | |
| EDPR 's Environment and Biodiversity Policies | <ul style="list-style-type: none"> • EDPR is committed to integrate the respect for the environment into all phases of the business through the value chain and ensure that all stakeholders, including suppliers, have the necessary skills to do so. • EDPR 's suppliers shall adopt all necessary measures to ensure strict compliance with all applicable environmental regulations as well as EDPR 's Environment and Biodiversity Policies, internal norms, procedures and systems in place as regards to environmental management. • EDPR has implemented an Environmental Management System (EMS) developed and certified according to the international standard ISO 14001. EDPR 's suppliers shall know and understand the EMS and ensure the full compliance with the procedures set. • Suppliers shall make the EMS available to its employees and subcontractors. <p>↳ EDPR 's Environment and Biodiversity Policies are available in www.edpr.com</p> | |

EDPR suppliers have successfully perform the approval processes established by EDP Group. The rule "pass or fail" is applied to suppliers. If they do not meet the main requirements set by EDPR they will not be selected to provide services.

For all suppliers considered as critical (regardless of the purchase volume) EDPR ensures from the bidding to the time of providing the service (work execution or maintenance) the compliance of technical quality, economical/financial solvency, and health, safety and environmental management.



MANAGEMENT AND MITIGATION OF ENVIRONMENTAL, SOCIAL OR ETHICAL RISKS

EDPR monitors critical suppliers during their services delivery, taking into account aspects as quality, safety, health and environment (waste management, oil spills, etc.). EDPR also ensures the compliance with standards, commitments and procedures of EDPR in all value chain.

A) During the execution phase, the construction manager works closely with a health & safety supervisor and environmental supervisor, plus holds weekly meetings with suppliers (BOP contractor and, where applicable, the turbine supplier).

Contractors receive feedback and improvement plans are established in the areas of quality, health & safety and environment through performance reports. In addition, the company also has external supervision in these areas.

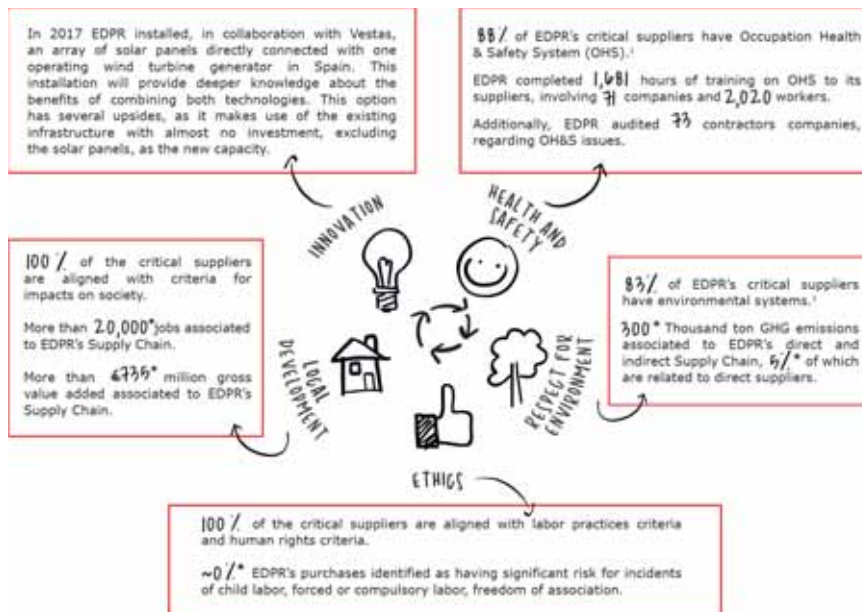
B) During the wind farms operation phase, the wind farm manager is responsible for service quality and compliance with the rules and health & safety and environmental procedures. These processes are reinforced by the management systems according to OHSAS 18001 and ISO 14001.

Given the impact of their performance in these areas, contractors assuming these management systems as own systems is crucial for EDPR.

Suppliers share with EDPR their new solutions, products or upgrades to improve collaboration between both parties.

EDPR uses applications for health and safety and environmental management, including regulatory and obligation tracking, which work as collaborative tools, therefore involving the entire organization and suppliers to prevent work and environmental accidents. Furthermore, in the wind farms are carried out drills regarding health and safety and environmental accidents or incidents.

The relevant aspects for EDPR in relation to sustainability in the supply chain are Innovation, Health and Safety, Respect for the Environment, Ethics and Local Development. These aspects are expressed in the Procurement Manual.



* Critical suppliers as defined as per EDPR formal corporate standard methodology.
*Data resulting from characterization of the supply chain performed by PeC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data.

3.2.4. MEDIA

EDPR's reputation and brand visibility depend, among other things, on media organizations, which represent an extremely important stakeholder group within the company. In order to maintain this stakeholder informed, EDPR works to keep all media organizations up-to-date about initiatives the company carries out, whether related to financial issues, company performance, corporate social responsibility or any other relevant activities. To better achieve this, EDPR always strives to respond quickly to all questions and/or comments that might appear, and it has developed a media calendar.

For better understanding between both parties and to pursue a fluid and dynamic dialogue with this stakeholder group, EDPR has developed several communication channels that allows the media to easily get in touch with the organization. The innovation this year was the improved corporate website (www.edpr.com), which includes three large sections dedicated to media: news repository, multimedia area and the contact center. With the release of this new website, EDPR believes that following the current trends and the best practices which always tries to achieve, it made it more user-friendly and mobile-first for its users. Other kind of media communication channels are press conferences, interviews with company top-management and conference calls. Currently, EDPR is developing a new media kit which will improve the clarification of the company's business and its main indicators to the opinion-makers and the media.

In 2017, the mainly interactions with the media generated news primarily in Portugal, Spain, North America and Brazil. These news items reflect the company's strategy for each of these markets. Portugal was the largest source of the news items, with highest favorability. Some other important news items mention this year included: the conclusion of wind farm projects, plans to advance with new wind farms in various countries, government approval of new projects, data on EDPR increasing energy production, positive developments of the company's shares on the stock exchange, power purchase agreements, charitable actions such as a donation to Hurricane Harvey repair and rebuilding efforts, actions in support of start-ups, financial results and strategic investments. Brazil also had a strong impact on news by the end of the year due to the December power generation auctions where EDPR was one of the active bidders.





3.3. SAFETY FIRST: PROACTIVE APPROACH

ZERO ACCIDENTS MINDSET

At EDPR, it is top priority to guarantee the health, safety and well-being of its employees and contractors. A commitment that is supported by the Health and Safety (H&S) policy. The company is aware that it works in a sector particularly sensitive to occupational risk, which is why the primary goal is to set an EDPR way for maintaining health and safety requirements across all geographies. To achieve it, the main focus is on hands-on training by rigorously verifying the implementation of safety standards and updating the standard operating procedures to match the regulatory changes.

As an integral part of the H&S strategy, employees actively engage in both behavior-based safety and risk assessment activities based on the potential risks associated with their tasks. They rigorously follow the guidelines and always strive to achieve the safest workplace for all those who provide services in the facilities. H&S committees and subcommittees throughout EDPR pursue and support the implementation of H&S measures by collecting information from different operational levels and involving employees with the establishment and communication of the preventative plan. These committees, present on every working field, ensure that employees' and contractors' concerns are listened and resolved.

With the intention of promoting positive and healthy interactions/discussions, EDPR promotes employees' and contractors' to work as a team to improve safety performance. The main principles are:

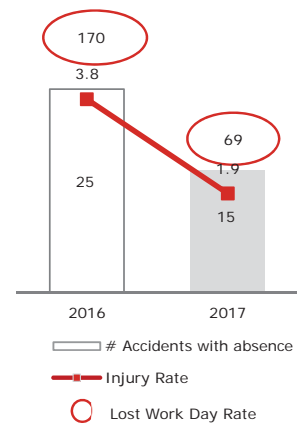
- Employees feel ownership for safety and take responsibility for themselves and others.
- Employees do not accept low safety standards and risk-taking.
- Employees actively talk and listen to others to understand their perspective.
- Employees believe true improvement is only achieved as a group, and that zero injuries is an attainable goal.

To constantly keep improving the safety programs, EDPR encourages multiple safety campaigns throughout the year with several positive (safety) incentive programs for its employees'.

Furthermore, in order to achieve the zero accidents target, EDPR has implemented H&S management systems based on the OHSAS 18001:2007 specifications. The standards and procedures of these systems are adapted to the specificities of each geography where they are implemented and are developed based on the country's regulation and industry's best practices. The commitment to the H&S is further supported through the OHSAS 18001 certification. By the end of 2017, this certification covers 91%¹ of EDPR's installed capacity.

EDPR focuses on an approach that is data driven to identify and react to leading indicators of injuries. The implementation of the H&S management systems allows it to manage and prevent future accidents with the objective of reaching the zero accident goal.

During 2017, EDPR registered a substantial improvement in its H&S ratios. The number of accidents with absence registered for employees and contractor personnel decreased by 40%, resulting in a drop of 49% in the injury rate to 1.9² impacted by lower number of accidents and more worked hours. Additionally, the lost work day rate decreased by 59% to 69³, driven by lower average lost work days per accident.



A greater focus on proactive approach in the H&S management plus the realization of the benefits from OHSAS certification results in a significant improvement in the statistics.

¹ Calculation based on 2016YE installed capacity.


² Injury Rate calculated as [# of accidents with absence/Hours worked * 1,000,000]

³ Lost Work Day Rate calculated as [# of working days lost/Hours worked * 1,000,000]

3.4. ENVIRONMENT

EDPR protects the environment complementing the strategy of fighting against climate change with its responsible management along the whole value chain.

Wind power is one of the most environmentally friendly ways of producing energy. The impact of EDPR's business on the environment is small but nevertheless, the company works on a daily basis to hold itself to a higher standard. EDPR believes that proactive environmental management generates value and constitutes the duty of any socially responsible company, that's why it is one of the pillars of EDPR's Environmental Policy.

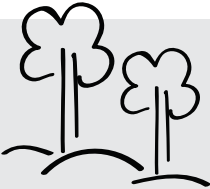


Protecting the climate

EDPR produces competitive energy based on renewable sources that contribute to sustainable economic growth

EDPR core business activity inherently implies the reduction of GHG emissions. Wind and solar energy has zero carbon emissions, contributing to the world's fight against climate change and does not produce harmful SOX, NOX or mercury emissions, protecting valuable air and water resources.

Besides, generation from wind and solar energy does not consume water in its operational processes.



Engaged with biodiversity

Fighting against climate change is the best contribution to tackle biodiversity loss

EDPR is aware of the sensitivity of natural ecosystems and the pressures affecting biodiversity. The main approach to contribute to the global challenge of reducing biodiversity loss is clear: produce clean energy (without emissions), to fight against climate change, one of the greatest threats for biodiversity.

The environmental strategy of the company complements this approach ensuring the minimization of the impacts on biodiversity along the whole value chain and seeking an overall positive balance with projects focused on the conservation of wildlife. It is EDPR's duty, as a sustainable company, to contribute to the development of research and conservation programs, as well as, to broadening scientific knowledge on biodiversity matters, by supporting institutions and strengthening dialogue and partnerships.



Preserving natural resources

EDPR promotes the efficient use of natural resources in all activities, within the framework of a circular economy

The wind turbine is mainly made of recyclable material, which according to the Life cycle Assessment of EDPR's main turbine supplier it is around 80% to 90%¹. The missing percentage is concerning the turbine's blades that are composed and manufactured by complex materials (glass or carbon fibers, thermos-hardened resins, sandwich structures, coatings, etc.), make it very hard to recycle.

The volume of these wastes can't still be compared with the size of the wind energy business, since it has been developed recently. Though, with the increasing maturity of the business, it is believed that these numbers will progressively increase.



¹ According to the Life Cycle Assessments of our main turbine suppliers.



EDPR is strongly committed to contribute to the protection of the environment through a proactive environmental management of its facilities in operation, assured through the Environmental Management System (EMS). The EMS is developed in accordance with the ISO 14001 international standard and certified by an independent certifying organization.

In 2017, EDPR's activities avoided the emission of 22,051 thousand tons of CO₂.

These emissions represent 0.1% of the total amount of emissions avoided and 50% of the total emissions are from the necessary electricity consumption by the wind farms. In 2017, 100% of the emissions related to electricity consumption in windfarms and our own offices in Spain and US have been compensated by Certifications of Origin in Spain and Renewable Energy Certifications (RECs) in US, obtained from the renewable energy generation.



Beyond the emissions related to the operation phase, from a life cycle point of view others shall be considered (manufacture of components, transport, construction...). EDPR wind farms with a projected life span of 30 years, will pay back its life cycle energy consumption in less than a year¹, meaning, more than 29 years of a wind farm's life will be producing clean energy.

2017 was a hard year in terms of natural disasters mainly driven by Climate Change affecting a lot of countries, including some where EDPR has presence. EDPR is especially concerned about forest fires since rural communities where the company's facilities are located are particularly vulnerable to disasters of this nature.

Apart of counting with a business model that relies on clean energy generation, fighting against Climate Change and the risk it poses to forest fires, EDPR is firmly committed to contribute in reducing and preventing forest fires.



Furthermore, reinforcing the commitment to biodiversity and the local communities, during 2017, EDPR approved a Forest Fire Prevention Plan which includes the following initiatives:

- Investment in partnerships with Local Communities in Spain and Portugal;
- Collaboration with NGOs in the prevention and mitigation of impacts related to forest fires through activities such as tree planting and land preservation for conservation purposes;
- Volunteering actions.

The management of wind energy waste is a significant and constant concern for EDPR. The lack of a technique to recycle wind turbine blades at the end of their useful life is recognized as one of the challenges of the industry. In this regard, in 2017, the company announced a cooperation agreement with the start up Thermal Recycling of Composites (TRC) to support the development of the R3FIBER technique, a viable, maximum-efficiency system for recycling wind turbine blades that are no longer in use, and implement a wind turbine blade recycling program.

Developed by TRC and a team at CSIC's National Center for Metallurgical Research, the R3FIBER technology is based on using materials without producing waste. This technology fully harnesses



mass, energy and the reuse of materials. The highlight is its unique feature of creating high-quality fibers (without resins) suitable for reuse. Therefore, R3FIBER technology is both sustainable since it does not generate waste, and efficient because it allows a maximum energy recovery.

This pilot program will apply to damaged wind turbine blades that need to be replaced, and in the future, blades from EDPR wind farms that have reached the end of their life cycle. To address the situation of managing this non-hazardous waste going forward, EDPR has partnered with TRC to create a new, sustainable system that allows wind turbine blades to be put to use.

3.5 INNOVATION

EXPLORING NEW BUSINESS OPTIONS AS TECHNOLOGY KEEPS DEVELOPING AND PUT INTO PRACTICE INVENTIVE SOLUTIONS THAT IMPROVE PROCESSES ARE KEY STEPS IN EDPR'S VALUE CREATION STRATEGY

During 2017 EDPR launched innovative projects focused on adding value to existing areas of the business, such as the combination of existing power plants (wind and hydro, in alliance with EDP) with solar PV and storage. These are tangible examples of combined effort with partners and suppliers with the goal of bringing the renewable industry forward.

At the same time the Company's high-skilled teams kept implementing new solutions in day-to-day business operations, boosting value creation through the application of innovative and lean initiatives.

FLOATING SOLAR – A JOINT EFFORT WITH EDP

Generating electricity since January 2017 in the Alto Rabagão reservoir in Northern Portugal this project is a combined effort of EDP Produção, EDP Comercial and EDP Renováveis in which each company of the group brings its expertise to the dashboard.



Alto Rabagão floating solar plant

The experimental solar plant was the world's first power plant to combine hydro and solar technologies. It has an installed capacity of 0.2 MW and occupies 2.500 square meters, floating in waters 60 m depth. The 840 solar panels installed are expected to deliver 300 MWh/year of clean energy to the hydro power plant substation already existent nearby.

This is the first project where the floating panels work in tandem with the dam's hydroelectric rotors, meaning that the solar panels produce energy during the day while saving hydro power to compete during intermittent demand peaks. When there is no demand the electricity produced by the solar panels allows the hydro plant to be autonomous from the network, consuming renewable energy to keep its systems running.

One of the main goals of the pilot, in which EDPR's expertise is vital, is to compare the offshore solar production versus a similar plant located onshore nearby. It's been proven that if the panels reach an excessive temperature its performance decreases. Those installed in the floating plant, naturally refrigerated, are able to deliver a better performance than the similar plant onshore.

This solution combined with the fact that floating solar plants would need less space than onshore to reach the same installed capacity, as floating power plants do not need to avoid terrain constrains due to the morphology of the lands, will open new opportunities for this brand new technology.

While studies in Alto Rabagão will continue, the EDP group is already considering the extension of this experience to larger facilities.



HYBRID TECHNOLOGIES – COMBINING WIND, SOLAR AND STORAGE

In 2017 EDPR installed, in collaboration with Vestas, an array of solar panels directly connected with one operating wind turbine generator in “El Conilete” wind farm (Andalucia, Spain). This installation will provide deeper knowledge about the benefits of combining both technologies. This option has several upsides, as it makes use of the existing infrastructure with almost no investment, excluding the solar panels, as the new capacity will take advantage of inverters, transformers, switchgears and cables. A new software was developed between Vestas and EDPR to control and monitor the performance of the combined generator.

A second phase of this project has already been launched, consisting in the addition of coupled batteries to create a combined wind, solar and storage generator. EDPR will benefit in this project from the experience acquired in the storage systems it has already installed in its solar and wind power plants in Romania.



El Conilete hybrid power plant installation

INNOVATING IN DAY-TO-DAY OPERATIONS

After more than a decade of continuous expansion EDPR’s capacity to deliver top quality assets has been more than proven. Always looking for improvement, 2017 saw new innovative solutions in the construction and commissioning procedures of our power plants, making the process faster, safer and more environmentally friendly.

As an example, in the Meadow Lake V wind farm (Indiana, USA), on top of the already established “98 out of the gate” program (target is to reach 98% of availability in each turbine as fast as possible) that resulted in 99% pre-COD availability generating 22.7 million KWh of test energy, field-driven innovations piloted by EDPR’s team in collaboration with Mortenson, civil contractor, successfully crystalized in the completion of a full scale stay-form foundation pedestal which eliminated risk associated with heavy materials, equipment, and suspended overhead loads from the turbine foundation and reduced the cost while improving safety for the construction workers

Another initiative launched was the utilization of a digital transition process – making this the first project that turned 100% digital documents to EDPR. This has an estimated savings of \$30,000 in paper and printing costs, with an additional \$30,000 of savings in administrative costs to assemble binders and store and scan documents into our internal document management system.

CORPORATE-WIDE PLANNING TOOL

During 2017 EDPR also implemented a new planning methodology based on a single tool and integrated process throughout the organization. Effective implementation lowered lead times, decreased budgeting work peaks, allowed for planning full useful life of assets, and improved scenario and reforecasting capabilities. The new planning system is cloud-based, easy to access to all the personnel involved from any geography, thus improving work-life balance and data integrity and accountability.

As a direct upside, it will add important insights to top level discussion and a deeper understanding of business driver impact on financial performance, helping EDPR to reach another level in the business analysis. During 2018 the tool will keep its roll-out to all the departments involved in the budgeting process of the company.

THE

LIVING

ENERGY

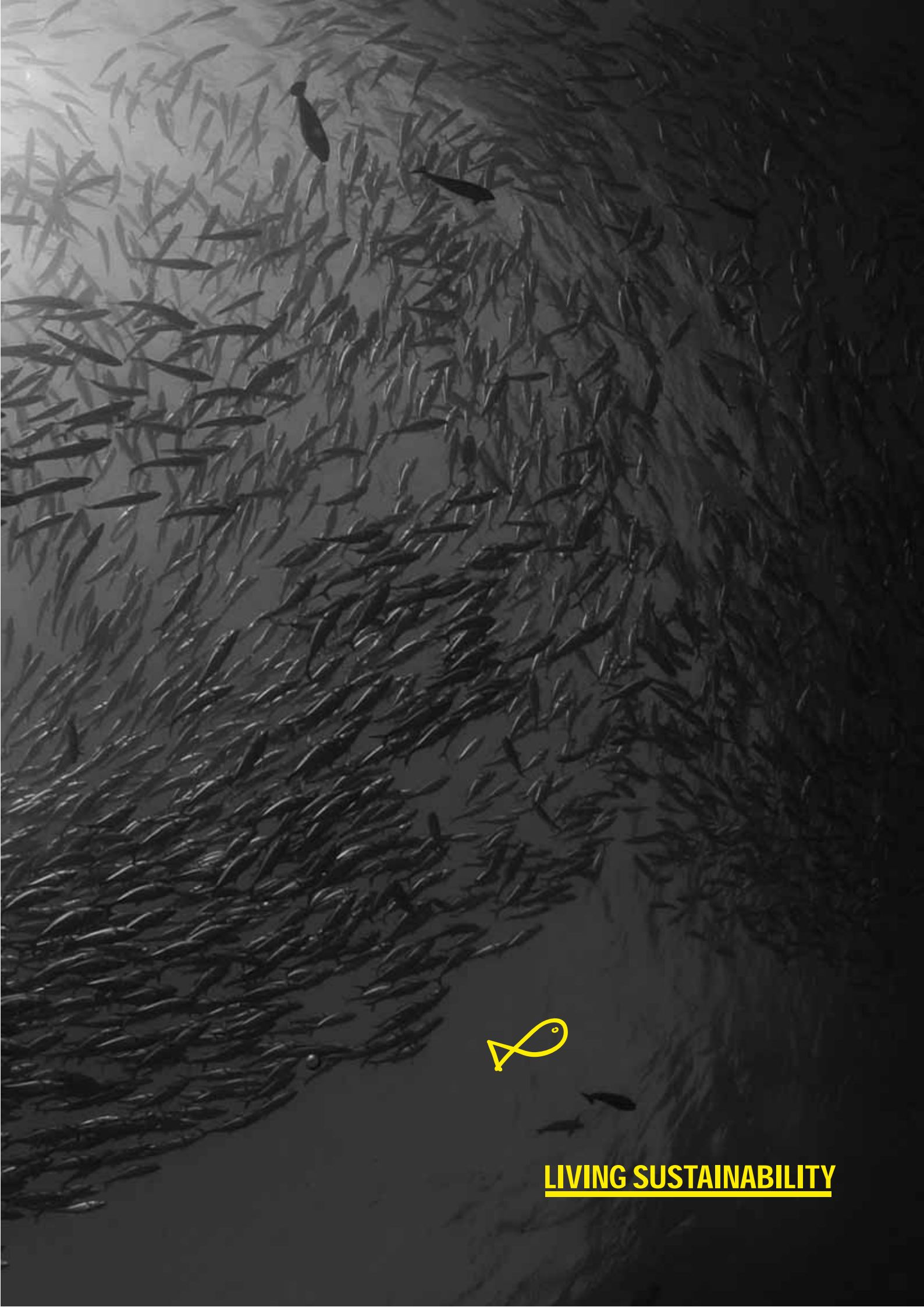
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LIVING SUSTAINABILITY

THE

LIVING

ENERGY

BOOK





04 SUSTAINABILITY

4.1. MATERIALITY ASSESSMENT

The macro-economic context, where the challenges of sustainability are increasing, summing up with the diversity of EDPR's stakeholders, results in a large and complex list of important issues, which must be prioritized according to its relevance and significance. An issue is considered material when it influences the decision, the action and the performance of an organization and its stakeholders.

4.1.1. BACKGROUND AND OBJECTIVES

EDPR's material issues were identified and the results achieved supported the preparation of this Annual Report, as reflected in the company's management strategy and, in particular, in its agenda for sustainability.

4.1.2. METHODOLOGY

The methodology adopted is based on the Accountability Standards and this information is collected corporately and within each business units.

Materiality is acquired by the interception of the issues identified by stakeholders with the importance given internally by the business. The topics identified by the company are prioritized according to the frequency with which they appear in different categories analyzed.

RELEVANCE FOR SOCIETY

The relevance for society is determined by the importance/impact of a specific theme from an external perspective to the company, designated as society perspective. Therefore, the society vision reflects the vision idea/concept of the several stakeholder groups that have influence on or are influenced by EDPR's activities. This vision must be obtained through sources that ensure independence from the company by means of collecting on most cases external data. This vision must be achieved through sources that are independent from the company to collect, on most cases, external data.

In parallel, the establishment of a society vision is also supported by documents, analysis and international/national specific studies that allow a broad perspective of the emerging trends in the sustainability area. Consequently, the company considers that the vision of the several stakeholders reflects the vision of society, thus allowing the assessment of the expectations outside EDPR.

RELEVANCE FOR BUSINESS

The vision of the business is obtained through the evaluation of the importance/impact of a specific theme from an internal perspective to the company. This vision is originated from the analysis of the defined business strategic goals as these, depict the current positioning and concerns of EDPR, reflect the future vision of the business.

RESULTS

The materiality matrix describes visually and promptly the most sensitive and impacting themes by comparing the relevance to society with the relevance to the business. The critical and sensitive themes for the business, obtained from the analysis of the materiality matrix, allows the company to drive the strategy and support the decision-making process as well as to focus the report of information based on shared interests between company and stakeholder, therefore, facilitating the relationship among them.

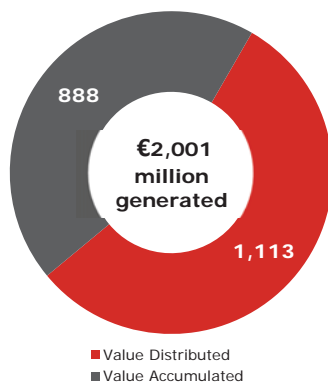


4.2. ECONOMIC TOPICS

GRI 201-1 - DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

| €million | 2017 | 2016 |
|---|--------------|--------------|
| ECONOMIC VALUE GENERATED AND DISTRIBUTED | | |
| Turnover | 1,637 | 1,485 |
| Other income | 321 | 251 |
| Gains/(losses) on the sale of financial assets | 0 | 2 |
| Share of profit in associates | 3 | 0 |
| Financial income | 41 | 54 |
| Economic value generated | 2,001 | 1,792 |
| Cost of raw material and consumables used | 35 | 31 |
| Supplies and services | 327 | 305 |
| Other costs | 128 | 135 |
| Personnel costs | 101 | 94 |
| Financial expenses | 343 | 404 |
| Current tax | 46 | 50 |
| Dividends | 133 | 153 |
| Economic value distributed | 1,113 | 1,172 |
| Economic value accumulated | 888 | 620 |

ECONOMIC VALUE GENERATED IN 2017 (€ million)



GRI 201-2 - FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE

According to the International Renewable Energy Agency (IRENA), renewable energy, coupled with energy efficiency gains, can provide 90% of the CO₂ emissions reductions needed by 2050 to stay within the Paris Agreement boundaries. In this scenario, renewable technologies could generate more than 80% of all electricity by 2050, including a 52% share from wind and solar which would have to grow from today's approximately a 5.5% share. The leading role of renewables has been noticed by governments around the world and most countries have included renewable energy targets in their NDCs. A clean energy revolution is naturally underway not only because it is sustainable but also because economically,

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onshore wind and solar PV costs have been declining and these technologies are now among the cheapest sources of energy in a growing number of countries, as highlighted by Lazard, Bloomberg New Energy Finance and IRENA. The competitiveness of renewables has been clearly evidenced in 2017 with wind (onshore and offshore) and solar PV's tenders beating a record of low prices all around the globe.

This awareness is increasingly growing in all sectors. Corporations, for instance, have been signing power purchase agreements (PPA) with renewable generators in order to fill their electricity needs. Renewables represent now an increasingly share of new investments in power-generating facilities¹ and according to BNEF, renewable energy sources are set to represent almost 75% of the investments in new power generation technologies until 2040. Not surprisingly, Europe's major utilities pledged to become carbon-neutral "well before 2050" and even several oil and gas major companies have significantly increased their investment in renewables during the recent years. Funding institutions are also stepping back from fossil fuel projects; the World Bank announced in December 2017 that it would cease to finance upstream oil and gas after 2019 and investment funds, such as the Norway's wealth fund, banks and pension funds have announced similar pledges. Likewise, global green bond² issuance hit a record of USD 155.5 billion in 2017 and could reach USD 250-300 billion in 2018, according to a research from the Climate Bonds Initiative.

According to a study published by IRENA, the EU could double the renewables' share in its energy mix, cost effectively, even without considering the economic value associated with health and environmental benefits. The share could rise to 34% in the total energy mix and up to 50% in the electricity mix (compared to 29% in 2015).

GRI 201-3 - DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Information on EDPR benefit plan obligations, can be found in Note 10 in the Financial Statements.

GRI 201-4 - FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

Information on EDPR financial assistance received from government through Production Tax Credits, Cash Grants and other Tax savings in the US, can be found in Income from institutional partnerships in US wind farms and Amortization of deferred income (government grants) in the Consolidated Income Statement and additional details on Note 7, Note 12 and Note 30 in the Financial Statements.

GRI 202-1 - RATIOS OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE

The values presented in the table below, show the average standard entry-level wage compared to the local minimum wage for each one of the countries where EDPR has presence. To protect the privacy of employees' wages in those countries where the headcount is smaller, the analysis is not disclosing the information by country and gender.

| % | 2017 | 2016 |
|--|------|------|
| STANDARD ENTRY LEVEL WAGE VS LOCAL MINIMUM WAGE | | |
| Europe | 190% | 204% |
| North America | 247% | 234% |
| Brazil | 309% | 337% |

Note: European ratio is calculated by using the sum of the entry-level wages (in €) of every country where EDPR operates (except Belgium, that was removed to protect the privacy of employees due to the small headcount) and the sum of the minimum wage of all these countries (in €). 2016 data has been restated using the same criteria.

Note 1: Canada and Mexico information was also removed to protect the privacy of employees in the country due to the small headcount.

GRI 202-2 - PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

The Code of Ethics contains specific clauses of non-discrimination and equal opportunities in line with the company's culture of diversity. This is reflected in the procedures for hiring people via a non-discriminatory selection processes.

¹ According to Bloomberg, global clean energy investment in 2017 was the second highest ever at USD 333.5 billion and representing an annual increase of 3%

² Debt instruments to be used for projects that promote climate and environmental sustainability purposes



A potential employee's race, gender, sexual orientation, religion, marital status, disability, political orientation or opinions of any other nature, ethnic or social origin, place of birth or trade union membership are not considered.

There are no specific procedures explicitly requiring local recruitment. However, a high percentage of EDPR employees' are hired from the same country in which the company operates.

71% of the new Directors have been hired internally.

| % | 2017 |
|-----------------------|-----------|
| %OF LOCAL RECRUITMENT | DIRECTORS |
| Europe | 70% |
| North America | 79% |
| Brazil | 100% |
| Corporate | 71% |

GRI 203-1 - INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED

Wind and solar energy require infrastructure investments which benefit surrounding communities.

This includes the reinforcement of existing electricity networks and the rehabilitation of existing roads or the construction of new roads.

The investment in roads is necessary in order to transport heavy equipment (wind turbine components, power transformers, etc.) to the site during construction. The improved road system facilitates future maintenance activities after construction works, as well as improves access to remote locations for the surrounding communities. During the operation of the wind farms, these roads are maintained and further opportunities may be identified to increase the positive impact in the community.

The integration of the generation capacity may also require upgrades in the distribution and transmission grids that belong to the system operators. Those upgrades indirectly benefit the quality of service offered in the surrounding areas by minimizing electricity supply interruptions.

In 2017, EDPR invested € 7 million to develop community roads and € 1.6 million to improve public electric facilities.

GRI 203-2 - SIGNIFICANT INDIRECT ECONOMIC IMPACTS

Renewable energy technologies are viewed not only as tools for mitigating climate change, but are also increasingly recognized as investments that can provide direct and indirect economic advantages by reducing dependence on imported fuels (and hence, improving trade balances), enhancing local air quality and safety, advancing energy access and security, propelling economic development, and, creating jobs.

GRI 204-1 - PROPORTION OF SPENDING ON LOCAL SUPPLIERS

At EDPR, there is no specific policy or in-house procedure for preferring locally based suppliers.

Nevertheless, under equal commercial terms, EDPR chooses local suppliers in order to enhance the socio-economic sustainability of the 12 countries across Europe and the Americas where it is present.

In this way, around 99%* of the purchases were sourced from local suppliers (purchases in countries of operation of EDPR).

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Moreover, during the construction of the company's projects, the local community can see an influx of temporary local construction workers and suppliers that provide a positive impact on the local economy.

Note: * is based on # of purchase orders placed in 2017.

GRI 205-1 - OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

EDPR analyses all the new markets where it enters operations through a Market overview. This study also evaluates the corruption risk.

EDPR during 2015, implemented an Anti-Bribery Policy of application to all EDPR Group. This Anti-Corruption Policy involves a series of procedures regarding the relationships of EDPR employees with external parties, namely the approval of certain actions regarding hospitality to and from external parties, charitable donations, and sponsorships.

Additional information on the Whistleblowing Channel and the Ethics Channel can be found at Section 5 Corporate Governance, C. II. Reporting Of Irregularities or visit the ethics information on the corporate governance section, in the website, www.edpr.com. Moreover, additional information is detailed in the Integrity and ethics Section.

[Anti-Bribery Policy is available at www.edpr.com.](http://www.edpr.com)

GRI 205-2 - COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

There is a strong commitment by the Company in relation to the dissemination and promotion of compliance with the Code of ethics, which includes Bribery & Corruption section, available to all employees through training, questionnaires, and open discussions of the findings. To this extent, from March to December 2016, EDP offered an online Ethics training ("Ética EDP") available to all employees of both Europe/Brazil and North America. This course achieved a major participation of around 900 EDPR employees. This type of training will be performed periodically.

GRI 205-3 - CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

EDPR has no knowledge of any corruption-related incidents recorded during 2017.

Moreover, the company has internal procedures to monitor compliance with the Code of Ethics and defines actions to be taken in case of incidents.

Additional information on the Whistleblowing Channel and the Ethics Channel can be found at Section 5 Corporate Governance, C. II. Reporting Of Irregularities or visit the ethics information on the corporate governance section, in the website, www.edpr.com. Moreover, additional information is detailed in the Integrity and ethics Section.

GRI 206-1 - LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES

EDPR has no knowledge of any legal actions for anti-competitive behavior, anti-trust or monopoly practices recorded during 2017.



For additional information related to Economic topics, please refer to Business Environment, Financial, Employees, Communities and Safety Organization Structure Sections.



4.3. ENVIRONMENTAL TOPICS

Note: EDPR reports EBITDA windfarms environmental indicators the year after the COD (Commercial Operating Date), when the trial periods is over and the indicators are already significant. So that, the windfarms that have entered into operation in 2017 will be included in the environmental indicators of 2018.

GRI 302-1 - ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Wind turbines and solar panels require a small amount of electricity to operate. This energy consumption is generally self-consumed. Given the intermittency of wind generation, sometimes it is needed to consume electricity from the grid.

| M Wh | 2017 | 2016 | % |
|---------------------------|--------|--------|-----|
| ENERGY CONSUMPTION | | | |
| Wind farms: | | | |
| Electricity consumption | 64,964 | 67,423 | -4% |
| Offices: | | | |
| Electricity consumption | 4,475 | 3,776 | 19% |
| Gas | 999 | 1,009 | -1% |

Note: Gas conversion factor according to Agência Portuguesa de Ambiente.

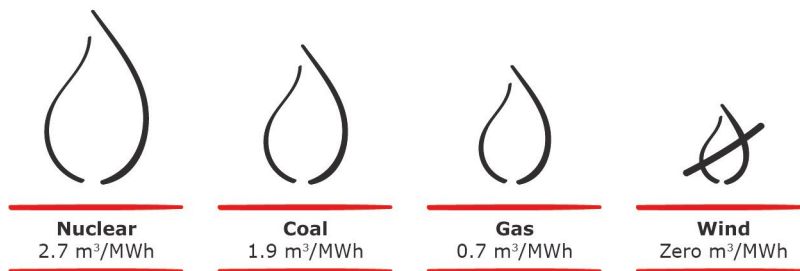
GRI 302-4 - REDUCTION OF ENERGY CONSUMPTION

EDPR' activity is based on clean energy generation, and it produces about 398 times the electricity consumed by itself. Nonetheless, the company is conscious about promoting a culture of rational use of resources and promotes many internal campaigns to encourage sustainable behaviors as is explained in its website www.edpr.com.

GRI 303-1 - WATER WITHDRAWAL BY SOURCE

Generation from wind energy does not consume water in its operational processes. The water is consumed mainly for human use. The consumption of water per electricity generated accounts for 0.51 liters/MWh. Even so, the company actively seeks to adopt more eco-efficient practices. An example of this, in 2017, 38 substations had rainwater collection and treatment systems installed to cover their own water supply needs.

WATER CONSUMPTION PER TECHNOLOGY



Source: 2014 EWEA, Saving water with wind energy.

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GRI 304-1 - OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS

| COUNTRY | FACILITY NAME | TYPE OF OPERATION | POSITION IN RELATION WITH PROTECTED AREA | FACILITY AREA IN PROTECTED NATURAL AREA (ha) | % FACILITY AREA IN PROTECTED NATURAL AREA (%) | ATTRIBUTE OF THE PROTECTED AREA | STATUS OF THE PROTECTED AREA | |
|---------------------|----------------------|-------------------|--|--|---|---------------------------------|------------------------------|-------------|
| Belgium | Cerfontaine | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Chimay | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Fatay | Wind farm | Inside | 41,6 | 100% | Terrestrial | Natura 2000 | |
| France | Ségar | Wind farm | Inside | 1,3 | 100% | Terrestrial | National protected area | |
| | Ayvalines - Le Thuël | Wind farm | Inside | 1,3 | 100% | Terrestrial | National protected area | |
| | Mercellos | Wind farm | Inside | 1,1 | 100% | Terrestrial | Natura 2000 | |
| | Messingy | Wind farm | Inside | 0,9 | 100% | Terrestrial | Natura 2000 | |
| | Tarzy | Wind farm | Inside | 39,9 | 100% | Terrestrial | Regional park | |
| Poland | Francouville | Wind farm | Inside | 41,2 | 100% | Terrestrial | Z100 | |
| | Iiza | Wind farm | Inside | 30,2 | 91% | Terrestrial | Regional park | |
| Portugal | Tomaszow | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Fern Suar | Wind farm | Inside | 6,3 | 100% | Terrestrial | Natura 2000 | |
| | Agor | Wind farm | Partially Within | 0,1 | 1% | Terrestrial | Natura 2000 | |
| | Agor II | Wind farm | Partially Within | 6,0 | 88% | Terrestrial | Natura 2000 | |
| | Orlaes | Wind farm | Inside | 4,9 | 100% | Terrestrial | Natura 2000 | |
| | Bustelo | Wind farm | Inside | 9,9 | 100% | Terrestrial | Natura 2000 | |
| | Vila Cove | Wind farm | Inside | 14,6 | 100% | Terrestrial | Natura 2000 | |
| | Falperra-Rechizinha | Wind farm | Partially Within | 30,3 | 91% | Terrestrial | Natura 2000 | |
| | Fonte de Quêha | Wind farm | Inside | 8,1 | 100% | Terrestrial | Natura 2000 | |
| | Alto do Talefe | Wind farm | Inside | 9,2 | 100% | Terrestrial-Fresh-water | Natura 2000 | |
| | Fonte da Mesa | Wind farm | Partially Within | 8,2 | 83% | Terrestrial | Natura 2000 | |
| | Malanho | Wind farm | Partially Within | 1,5 | 3% | Terrestrial | Natura 2000 | |
| | Madrinha | Wind farm | Inside | 4,1 | 100% | Terrestrial | Natura 2000 | |
| | Safa-Coentral | Wind farm | Inside | 19,7 | 100% | Terrestrial | Natura 2000 | |
| | Romania | Negreio e Oulhado | Wind farm | Inside | 9,6 | 141% | Terrestrial | Natura 2000 |
| | | Testos | Wind farm | Partially Within | 2,9 | 22% | Terrestrial | Natura 2000 |
| Serra Alvoaça | | Wind farm | Partially Within | 7,8 | 61% | Terrestrial | Natura 2000 | |
| Tocha | | Wind farm | Inside | 6,8 | 100% | Terrestrial | National protected area | |
| Padrela/Soutelo | | Wind farm | Partially Within | 1,0 | 41% | Terrestrial | Natura 2000 | |
| Querrios | | Wind farm | Partially Within | 0,1 | 0% | Terrestrial | Natura 2000 | |
| Vila Nova | | Wind farm | Partially Within | 7,1 | 42% | Terrestrial | Natura 2000 | |
| Vila Nova II | | Wind farm | Partially Within | 9,1 | 34% | Terrestrial | Natura 2000 | |
| Balocas | | Wind farm | Partially Within | 0,4 | 1% | Terrestrial | Natura 2000 | |
| Ortiga | | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| S. João | | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| Alto Argani | | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| Salgueiros-Guilhado | | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| Serra do Mú | | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| Spain | Pestera | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Sarcho | Wind farm | Partially Within | 0,1 | 0% | Terrestrial | Natura 2000 | |
| | Burila Mica | Solar plant | Inside | 22,7 | 100% | Terrestrial-Fresh-water | Natura 2000 | |
| | Sierra de Boquerón | Wind farm | Inside | 10,4 | 100% | Terrestrial | Natura 2000 | |
| | La Cabeza | Wind farm | Partially Within | 8,2 | 53% | Terrestrial | Natura 2000 | |
| | Corme | Wind farm | Partially Within | 2,6 | 17% | Terrestrial-Marine | Natura 2000 | |
| | Hoya Gonzalo | Wind farm | Partially Within | 0,7 | 4% | Terrestrial | Natura 2000 | |
| | Tahulla | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Coll de la Garganta | Wind farm | Partially Within | 0,1 | 1% | Terrestrial-Fresh-water | National protected area | |
| | Puntaza de Remolinos | Wind farm | Partially Within | 1,8 | 57% | Terrestrial | Natura 2000 | |
| Rianes de Pola | Wind farm | Partially Within | 5,2 | 55% | Terrestrial | Natura 2000 | | |
| Spain | Avila | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Buenavista | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Marine | Natura 2000 | |
| | Serra Voltorera | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Villoruebo | Wind farm | Partially Within | 2,0 | 41% | Terrestrial-Fresh-water | Natura 2000 | |
| | Villamel | Wind farm | Partially Within | 4,9 | 75% | Terrestrial-Fresh-water | Natura 2000 | |
| | La Mellada | Wind farm | Partially Within | 1,4 | 8% | Terrestrial-Fresh-water | Natura 2000 | |
| | Las Monjas | Wind farm | Partially Within | 0,01 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Coll de la Garganta | Wind farm | Partially Within | 0,06 | 1% | Terrestrial-Fresh-water | Natura 2000 | |
| | Tejonero | Wind farm | Adjacent | 1,07 | 0% | Terrestrial | Natura 2000 | |
| | Avila | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Sierra de los Lagos | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Mostaza | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Los Almeriques | Wind farm | Adjacent | 0,0 | 0% | Terrestrial-Fresh-water | Natura 2000 | |
| | Sujal | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Serra Voltorera | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | |
| | Monseivane | Wind farm | Partially Within | 17,3 | 98% | Terrestrial-Fresh-water | Natura 2000 | |
| | La Celaya | Wind farm | Partially Within | 9,1 | 70% | Terrestrial-Fresh-water | Natura 2000 | |
| | Cerro del Consleta | Wind farm | Partially Within | 0,01 | 0% | Terrestrial | Natura 2000 | |
| | Wind farm | Adjacent | 0,0 | 0% | Terrestrial | Natura 2000 | | |

According to GRI requirements

www.rii.com



GRI 304-2 - SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY

Potential environmental impacts are analyzed in detail in the environmental impact studies of the projects. Additionally, feasible alternatives are assessed and preventive, corrective and compensation measures are determined.

The company has defined general procedures in its Environmental Management System to prevent, correct or compensate impacts in the environment. In addition, efforts are intensified with specific monitoring procedures in the small number of sites located inside or close to protected areas.

Potential environmental impacts are analyzed in detail in the environmental impact studies of the projects.

GRI EU13 - BIODIVERSITY OF OFFSET HABITATS COMPARED TO THE BIODIVERSITY OF THE AFFECTED AREAS

In the small number of sites located inside or close to protected areas, EDPR intensifies the efforts with specific monitoring procedures, as defined in the Environmental Management System.

GRI 304-3 - HABITATS PROTECTED OR RESTORED

After the construction period, it is EDPR duty to return the site to its initial state. Therefore, the company performs morphological restoration and reseeded works. In 2017, almost 6 hectares of affected land were restored.

Furthermore, EDPR collaborates with Fundación Patrimonio Natural and Migres to promote, maintain and manage the natural heritage.

Fundación Patrimonio Natural is linked to the Castilla y León Regional Government. In 2017, an economic contribution of € 25,000 was made to work in collaboration with the Fundación Patrimonio Natural in the following actions:

- Repositioning of a transmitter acquired in 2016 in an adult real kite individual and reception of data from the transmitters in operation placed since the beginning of the radiolabelling program.
- Follow-up actions of the breeding population of the royal kite in the regions of Pinares (Valladolid), Tierra del Vino and Guareña (Zamora) and analysis of the movements of the radio-marked individuals.

Fundación Migres is linked to the Andalucía Regional Government. In 2017, an economic contribution of € 10,000 was made to work in collaboration with the Fundación Migres in the following actions:

1. Coordination and follow-up of the environmental surveillance plan carried out in the wind farms

Through the execution of this measure:

- The surveillance protocol is coordinated in all wind farms in the Tahivilla area
- The spatiotemporal monitoring of the accident occurrence is carried out
- The correct execution of the surveillance is supervised
- The establishment of the period to the reinforcement of the surveillance
- The continuous training of the people responsible for the environmental monitoring.

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In addition, in 2017, a quality protocol for environmental monitoring has been designed, where several measures were established for quality control, as well as indicators for monitoring which contribute in obtaining the best results. This protocol must ensure a quality that allows a maximum reduction in accident rate.

2. Proposal for environmental measures for the conservation of threatened raptures in the environment around the wind farms of la Janda

This measure has not been executed yet. It will be carried out in 2018 with what has already been paid in 2017. It has not been started because there are some measures that have not yet been approved by the Environment.

3. Scientific monitoring of migration in the strait of Gibraltar

With this monitoring, we can know the fluctuations that occur in the number of specimens of the different migratory species, as well as detect possible conservation problems of these species and their habitats. This is especially important in a scenario of global change. Through the development of a specific program for monitoring the migration of gliding, marine and passerine birds in the Strait of Gibraltar, the aim is to detect:

- Changes in migratory populations that may be related to the trends of these species globally, as indicators of their conservation status.
- Changes in the migratory patterns of the species.
- Reveal the biological meaning of these changes in relation to the current scenario of global change.

GRI 305-1 - DIRECT (SCOPE 1) GHG EMISSIONS

EDPR's Scope 1 emissions represent 1,604 tons of CO₂ equivalent. 1,020 tones are emitted by transportation related to the windfarms operation, 177 tones by gas consumption in the company's offices and the rest of it is related to SF₆.

Part of the equipment used for electricity generation purposes contains SF₆ gasses and during 2017, EDPR registered emissions of 17 kg of this gas, which is equivalent almost to 407t CO₂ eq.

Note: Emissions were estimated according to GHG Protocol (including official sources such as IPCC or the U.S Department of Energy)

GRI 305-2 - ENERGY INDIRECT (SCOPE 2) GREENHOUSE GAS (GHG) EMISSIONS

EDPR's CO₂ indirect emissions represent 8,005 tons, 7,821 tons driven by electricity consumption by the wind farms and solar plants and 184 tons electricity consumption by the offices.

In 2017, 100% of the emissions related to electricity consumption in windfarms and our own offices in Spain and US have been compensated by Certifications of Origin in Spain and Renewable Energy Certifications (RECs) in US, obtained from the renewable energy generation.

Note 1: The emission factors used are based on the following sources: Portugal - EDP, Turbogás, Tejo Energia, Rede Eléctrica Nacional (REN), and Entidade Reguladora dos Serviços Energéticos (ERSE); Spain - Red Eléctrica de España (REE); Brazil - Ministry of Science and Technology - SIN (National Interconnected System); Other European Countries; and Canada - IHS CERA.

Note 2: Electricity consumption emissions were calculated with the global emission factors of each country.

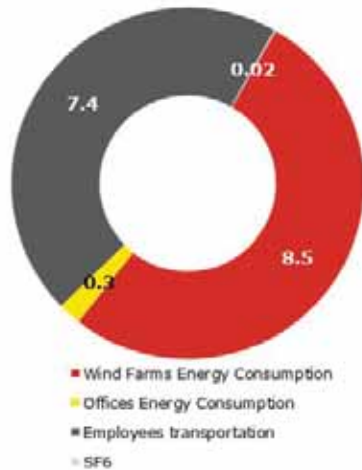
GRI 305-3 - OTHER INDIRECT (SCOPE 3) GREENHOUSE GAS (GHG) EMISSIONS

EDPR's work requires employees to travel and commute. Based on the estimates, the transportation used by employees accounted for a total of 6,124 tons of CO₂ emissions.

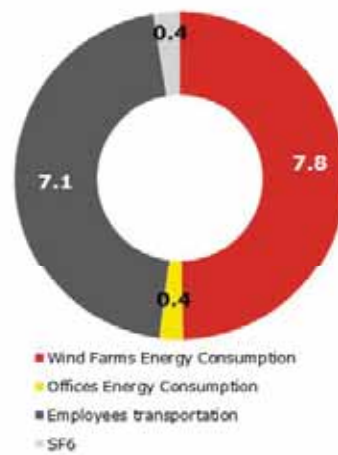
Note: Emissions were estimated according to GHG Protocol, by following the DEFRA standard. Employee commuting emissions were calculated from data collected in a survey to all employees.



CO₂ EQ EMITTED IN 2016 (K TONS)



CO₂ EQ EMITTED IN 2017 (K TONS)



GRI 305-5 - REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS

Even though EDPR activity inherently implies the reduction GHG emissions, the company goes one-step forward by compensating 100% of the emissions related to grid connection of the windfarms and offices in Spain and US.

EDPR core business activity inherently implies the reduction GHG emissions. Wind and solar energy has zero carbon emissions, contributing to the world's fight against climate change and does not produce harmful SO_x, NO_x, or mercury emissions, protecting valuable air and water resources. In 2017, it was estimated that the company's activities avoided the emission of 22,051 thousand tons of CO₂.

The company's emissions represent 0.1% of the total amount of emissions avoided and 50% of the total emissions are from the necessary electricity consumption by the wind farms. Even though EDPR's activity is based on the clean energy generation, it is conscious about promoting a culture of rational use of resources. During 2017, EDPR continued promoting initiatives that foster environmental best practices in its offices.

In 2017, 100% of the emissions related to electricity consumption in windfarms and our own offices in Spain and US have been compensated by Certifications of Origin in Spain and Renewable Energy Certifications (RECs) in US, obtained from the renewable energy generation.

Note 1: To calculate the emissions avoidance, the energy generation has been multiplied by the CO₂ eq emission factors of each country and state within the US. EDPR considers the emission factor of just fossil fuel energy, as it is considered that by increasing the generation of renewable energy, there is a displacing of these technologies, while other renewable technologies and nuclear plants will continue with its quota of generation.

Note 2: In order to calculate avoided emissions, generation in Mexico is included as well as the country is included at operational data.

Note 3: The emission factors used are based on the following sources: Portugal - EDP, Turbogás, Tejo Energia, Rede Eléctrica Nacional (REN), and Entidade Reguladora dos Serviços Energéticos (ERSE); Spain - Red Eléctrica de España (REE); Brazil - Ministry of Science and Technology - SIN (National Interconnected System); USA - Emissions & Generation Resource Integrated Database (eGRID) for each state emission factor; Other European Countries, Mexico and Canada - IHS CERA.

GRI 306-2 - WASTE BY TYPE AND DISPOSAL METHOD

The main contribution to the hazardous waste produced by wind farms is related to oil and oil-related wastes such as oil filters or oil containers, used mainly for lubrication of the turbines. The consumption of this oil is based on certain pre-defined replacement time frequencies (between 2 and 5 years, based on the component, oil type and manufacturer).

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During 2017, the recovery rate was 88% impacted mainly by a significant spill with a volume of 80 metric tons of soil contaminated brought to disposal. The increase in hazardous wastes is mainly due to the contamination of the soil. This soil was removed and fully restored. Excluding this fact and other accidents such as blades breakage that generate fiberglass, the recovery rate would have been 98%, what certifies that the company has been actively working to improve the recycling rate of its hazardous wastes, through authorized waste haulers. The increase shown in non-hazardous wastes is driven by glass fiber and metals from blades. These metals were fully recovered.

Annual fluctuations in hazardous waste generated are heavily dependent on the pluri-annual oil replacement programs above mentioned. Non-hazardous wastes generated by the company include metals, plastics, paper or domestic garbage which is recycled in their vast majority.

The following table summarizes the amount wastes generated per GWh in EDPR's facilities and the rate of recycling. The following table summarizes the amount wastes generated:

| | 2017 | 2016 | Δ% |
|--------------------------------|------|------|-----|
| WASTE GENERATED BY EDPR | | | |
| Total waste (kg/GWh) | 58.0 | 50.1 | 16% |
| Total hazardous waste (kg/GWh) | 31.6 | 27.1 | 16% |
| %of hazardous waste recovered | 88% | 87% | 1% |
| Excluding accidents | | | |
| Total waste (kg/GWh) | 53.7 | 43.6 | 23% |
| Total hazardous waste (kg/GWh) | 25.2 | 24.3 | 4% |
| %of hazardous waste recovered | 98% | 97% | 1% |

| | 2017 | 2016 | Δ% |
|---|-------|-------|-----|
| WASTE GENERATED BY EDPR | | | |
| Total hazardous wastes (t) | 836 | 647 | 29% |
| Total hazardous waste disposed (t) | 99 | 84 | 17% |
| Total hazardous waste recovered (t) | 737 | 563 | 31% |
| Total non-hazardous wastes (t) | 700 | 547 | 28% |
| Total non-hazardous waste disposed (t) | 244 | 227 | 7% |
| Total non-hazardous waste recovered (t) | 456 | 320 | 42% |
| Total wastes (t) | 1,536 | 1,195 | 29% |

Note: For the purposes of this report, all wastes have been classified as Hazardous or Non-hazardous according to European Waste Catalogue; However, in each country where EDPR has a geographic presence, each wind farm is required to adhere to national law by following company procedures for handling, labelling, and storage of wastes to ensure compliance. In cases, like in the United States, when the company's operations generate small quantities of substances which fall into additionally-regulated categories such as used oils and universal wastes, EDPR follows strict standards for handling and disposal of these waste types to ensure and remain compliant with all applicable laws.

Note 2: 2016 ratios per GWh has been restated.

GRI 306-3 - SIGNIFICANT SPILLS

Given EDPR's activity and its locations, oil spills and fires are the major environmental risks the company faces. The Environmental Management System is designed and implemented to prevent emergency situations from happening. But, just to be cautionary, the system covers the identification and management of these, including the near-miss situations.

EDPR defines as significant spill the ones above 0.16 m³ that reached the ground. Additionally, EDPR registers near miss situations, when registered incident does not reach the category of significant spill. In 2017, the company had 3 significant spills with a total volume of 0.64 m³ of oil spilled, 1 incipient fire, 3 fires without environmental impact and 1 fire with minimal impacts (0.5 acre) on the neighboring forest. All cases were properly managed: oil spills were confined



early and contaminated soil was collected and managed. Additionally, 65 near miss were registered driven by small oil leaks that did not reach bare soil.

EDPR performs regular environmental drills to guarantee that all employees are familiar with the risks and have received the appropriate training to prevent and act, if necessary.

GRI 307-1 - NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

During 2017, the company did not receive any penalty for non-compliance with environmental laws and regulations.

GRI 308-1 - NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA

EDPR´s Environment and Biodiversity Policies reflect a responsible management of the environment along the whole value chain. According to these policies, EDPR is committed to ensure that everyone involved, including suppliers, has the necessary, adequate skills for the purpose.

The suppliers of EDPR shall adopt all necessary measures to ensure strict compliance with all applicable environmental regulations as well as EDPR´s Environment and Biodiversity Policies, internal norms, procedures and systems in place as regards to environmental management.

EDPR has implemented, for all its wind farms in operation, an Environmental Management System (EMS) developed according to the international standard ISO 14001. EDPR´s suppliers shall know and understand the EMS and ensure the full compliance with the procedures set. Supplier shall make the EMS available to its employees and subcontractors.

In 2017, 83% of EDPR's critical suppliers (defined as per EDP formal corporate standard methodology) in Corporate, Europe and Brazil and in North America had environmental systems.

GRI 308-2 - NEGATIVE ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN

In 2015, EDPR carried out a study to characterize its Supply Chain, including the analysis of the exposure to economic, social and environmental risks. This analysis was performed using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) methodology developed by PwC. For the ESCHER calculation routine PwC used EDP Group 2014 data.

The study allowed EDPR to determine the following results: 300* thousand-ton GHG emissions associated to EDPR's direct and indirect Supply Chain, 5%* of which related to direct suppliers.

Through this study, EDPR aims to identify areas where should focus its improvement activities in order to significantly reduce its exposure to risk and optimize impacts.

Note: Analysis performed by PwC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data. This study is still representative of EDPR reality and companies in the sector perform these studies every 2/3 years. Data presented in this chapter resulting from this study is marked with an *.



For additional information related to Environmental topics please refer to the Positive Balance on the environment Section and Suppliers Section.

4.4. SOCIAL TOPICS

GRI 102-8 - INFORMATION ON EMPLOYEES AND OTHER WORKERS

In 2017, EDPR had 1,220 employees. 22% worked at EDPR holding, 38% in the European Platform, 37% in the North American Platform and 3% in Brazil.

| WORKFORCE BREAKDOWN | 2017 | % FEMALE | 2016 | % FEMALE |
|--------------------------------|--------------|-----------------|--------------|-----------------|
| BY EMPLOYMENT TYPE: | | | | |
| Full time | 1,188 | 30% | 1,050 | 31% |
| Part time | 32 | 97% | 33 | 94% |
| BY EMPLOYMENT CONTRACT: | | | | |
| Permanent | 1,203 | 32% | 1,066 | 33% |
| Temporary | 17 | 0% | 17 | 24% |
| BY COUNTRY: | | | | |
| Spain | 406 | 34% | 373 | 34% |
| Portugal | 73 | 12% | 72 | 10% |
| France | 60 | 40% | 53 | 38% |
| Belgium | 3 | 33% | 2 | 0% |
| Poland | 35 | 34% | 38 | 37% |
| Romania | 32 | 41% | 32 | 38% |
| Italy | 28 | 36% | 23 | 35% |
| UK | 42 | 43% | 34 | 47% |
| USA | 488 | 31% | 410 | 33% |
| Canada | 5 | 0% | 5 | 0% |
| Brazil | 39 | 28% | 34 | 29% |
| Mexico | 9 | 33% | 7 | 29% |
| Total | 1,220 | 32% | 1,083 | 33% |

The average number of contractors' workers during the period has been 870 in Europe, 1,372 in North America and 559 in Brazil.

GRI 401-1 - NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

Throughout the year, EDPR hired 259 employees while 121 are no longer with the company, resulting in a turnover ratio of 16%, which is slightly higher than the previous year.



2,801 contractors involved in construction and operation and maintenance activities during 2017.

| EMPLOYEE TURNOVER | NEW HIRES | DEPARTURES | TURNOVER |
|-----------------------------|-----------|------------|----------|
| BY AGE GROUP: | | | |
| Less than 30 years old | 151 | 51 | 37% |
| Between 30 and 39 years old | 74 | 38 | 10% |
| Over 40 years old | 34 | 32 | 9% |
| BY GENDER: | | | |
| Female | 82 | 45 | 16% |
| Male | 177 | 76 | 15% |
| BY COUNTRY: | | | |
| Spain | 61 | 31 | 11% |
| Portugal | 4 | 3 | 5% |
| France | 20 | 10 | 25% |
| Belgium | 0 | 0 | 0% |
| Poland | 0 | 1 | 1% |
| Romania | 2 | 2 | 6% |
| Italy | 8 | 3 | 20% |
| UK | 17 | 6 | 27% |
| USA | 133 | 58 | 20% |
| Canada | 0 | 0 | 0% |
| Brazil | 11 | 6 | 22% |
| Mexico | 3 | 1 | 22% |
| Total | 259 | 121 | 16% |

Note: Turnover calculated as: (new hires+departures)/2

GRI EU17 - DAYS WORKED BY CONTRACTOR AND SUBCONTRACTOR EMPLOYEES INVOLVED IN CONSTRUCTION, OPERATION AND MAINTENANCE ACTIVITIES

Contractors involved in construction, operation and maintenance activities worked 691,929 days during 2017.

GRI EU18 - PERCENTAGE OF CONTRACTOR AND SUBCONTRACTOR EMPLOYEES THAT HAVE UNDERGONE RELEVANT HEALTH AND SAFETY TRAINING

As an integral part of the health & safety strategy, the company offers several training courses and risk assessment activities according to the potential risks identified for each position within the company.

EDPR is equally concerned with the health and safety standard of all employees and contractors. To this extent, the contractors are subject to a health and safety screening when they bid to work for the company. Once the contractor is selected, they are required to present proof of having completed the required training. 72% of contractors have undergone relevant health and safety training during 2017 given by EDPR. Nevertheless, is mandatory for the companies that work with EDPR to assure that all the contractors have undergone health and safety courses.

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GRI 401-2 - BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES

As a responsible employer, a quality employment that can be balanced with personal life is a priority for the company. The package of benefits provided to full-time employees does not differ from that offered to part-time employees, and generally it goes beyond what is agreed in collective bargaining agreements. This benefits package includes medical insurance, life insurance, pension plan and conciliation measures.

EDPR recognized with ESR certificate – Socially Responsible Company - and ranked among the 50 best companies to work in Spain and Poland.

GRI 102-41 - COLLECTIVE BARGAINING AGREEMENTS

From EDPR's 1,220 employees, 20% were covered by collective bargaining agreements.

| EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS | 2017 | % |
|---|------|------|
| Spain | 51 | 13% |
| Portugal | 73 | 100% |
| France | 55 | 92% |
| Belgium | 1 | 33% |
| Poland | 0 | 0% |
| Romania | 0 | 0% |
| Italy | 28 | 100% |
| UK | 0 | 0% |
| USA | 0 | 0% |
| Canada | 0 | 0% |
| Brazil | 39 | 100% |
| Mexico | 0 | 0% |
| Total | 247 | 20% |

Collective bargaining agreements apply to all employees working under an employment relationship with and for the account of some companies of EDPR group, regardless of the type of contract, the professional group into which they are classified, their occupation or job. However, matters relating to the corporate organization itself, the laws of each country or even usage and custom in each country result in certain groups being expressly excluded from the scope of collective bargaining agreements.



GRI 401-3 – PARENTAL LEAVE

| PARENTAL LEAVE | MATERNAL | PATERNAL | RETURN TO WORK |
|----------------|-----------|-----------|----------------|
| Spain | 7 | 11 | 18 |
| Portugal | 0 | 2 | 2 |
| France | 2 | 2 | 4 |
| Belgium | 0 | 0 | 0 |
| Poland | 4 | 4 | 8 |
| Romania | 0 | 0 | 0 |
| Italy | 4 | 1 | 5 |
| UK | 3 | 0 | 3 |
| USA | 6 | 25 | 31 |
| Canada | 0 | 0 | 0 |
| Brazil | 0 | 0 | 0 |
| Mexico | 0 | 0 | 0 |
| Total | 26 | 45 | 71 |

In 2017, 71 employees enjoyed a maternal or paternal leave. All returned but after that, six of them extended their leave. Additionally, 96% of the employees who enjoyed a parental leave in 2016 are still EDPR employees.

GRI EU15 - PERCENTAGE OF EMPLOYEES ELIGIBLE TO RETIRE IN THE NEXT 5 AND 10 YEARS BROKEN DOWN BY JOB CATEGORY AND BY REGION

| EMPLOYEES ELIGIBLE TO RETIRE | IN 10 YEARS | IN 5 YEARS |
|--------------------------------|-------------|------------|
| BY EMPLOYMENT CATEGORY: | 81 | 31 |
| Directors | 21 | 9 |
| Specialist | 40 | 17 |
| Managers | 5 | 2 |
| Technicians | 15 | 3 |
| BY COUNTRY: | 81 | 31 |
| Spain | 20 | 8 |
| Portugal | 17 | 7 |
| Poland | 2 | 2 |
| Italy | 0 | 0 |
| France | 1 | 0 |
| UK | 0 | 0 |
| Romania | 1 | 0 |
| USA | 39 | 13 |
| Brazil | 1 | 1 |

Note that the employees eligible to retire in the next 5 years is with 60 years reference and in the next 10 years with 57 years reference.

38yr EDPR employees' average age

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GRI 402-1- MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

Per country case law, EDPR may have a minimum period which it must comply with for giving formal notice of organizational changes at the companies in the Group with an impact on employees. However, it is customary to communicate significant events to the affected groups in advance.

As an employer in the United States, EDPR complies with the Worker Adjustment and Retraining Notification (WARN) Act Guide to Advance Notice of Closings and Layoffs.

GRI 403-1 - WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES

A significant part of the organization plays a fundamental role in the implementation of its health and safety policy. The company created health and safety committees that collect information from different operational levels and involve employees in the definition and communication of a preventive plan.

During 2017, 4.0% of all employees attended health and safety committee meetings, representing 64% of the total workforce. All EDPR geographies have active health and safety committees in place.

GRI 403-2 - TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

| H&S INDICATORS (EDPR AND CONTRACTORS PERSONNEL) | 2017 | 2016 | % |
|---|------|-------|------|
| Number of industrial fatal accidents | 0 | 0 | 0% |
| Europe | 0 | 0 | 0% |
| North America | 0 | 0 | 0% |
| Brazil | 0 | 0 | 0% |
| Number of industrial accidents with absence | 15 | 25 | -40% |
| Europe | 9 | 13 | -31% |
| North America | 2 | 12 | -83% |
| Brazil | 4 | 0 | - |
| Working days lost by accidents caused | 534 | 1,124 | -52% |
| Europe | 397 | 820 | -52% |
| North America | 100 | 304 | -67% |
| Brazil | 37 | 0 | - |
| Injury Rate (IR) ¹ : | 19 | 3.8 | -49% |
| Europe | 3.1 | 4.9 | -36% |
| North America | 0.6 | 3.3 | -83% |
| Brazil | 3.4 | 0.0 | - |
| Lost work day rate (LDR) ² : | 69 | 170 | -59% |
| Europe | 137 | 309 | -56% |
| North America | 28 | 83 | -67% |
| Brazil | 31 | 0 | - |

1 Injury Rate calculated as [# of accidents with absence/Hours worked * 1,000,000]

2 Lost Work Day Rate calculated as [# of working days lost/Hours worked * 1,000,000]

Note: Minor first aid injuries are not included and number of days is calculated as the number of calendar days

EDPR did not record any fatal accidents during 2016 and 2017.



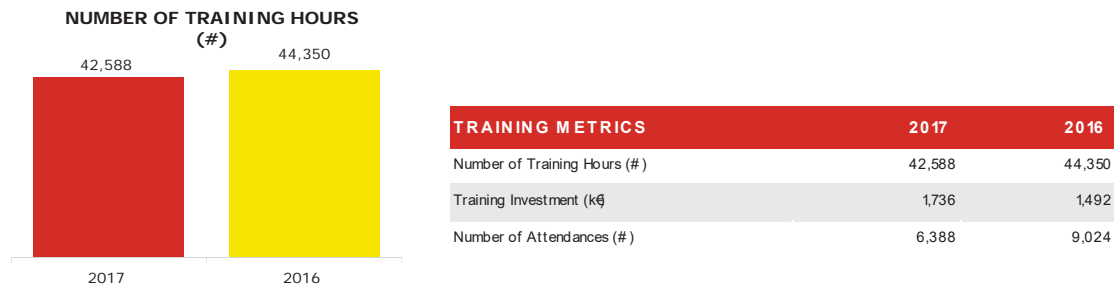
During 2017, EDPR registered a substantial improvement in its H&S ratios. The number of accidents with absence registered for employees and contractor personnel decreased by 40%, resulting in a drop of 49% in the injury rate to 1.9³ impacted by lower number of accidents and more worked hours. Additionally, the lost work day rate decreased by 59% to 69⁴, driven by lower average lost work days per accident.

A greater focus on proactive approach in the H&S management plus the realization of the benefits from OHSAS certification results in a significant improvement in the statistics.

GRI EU25 - NUMBER OF INJURIES AND FATALITIES TO THE PUBLIC INVOLVING COMPANY ASSETS, INCLUDING LEGAL JUDGMENTS, SETTLEMENTS AND PENDING LEGAL CASES OF DISEASES

During 2017, EDPR did not identify injuries or fatalities to the public involving company assets.

GRI 404-1 - AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY EMPLOYEE



For a complete description of EDPR's Training and Human Resources strategy, please refer to the Employees Section.

GRI 404-2 - PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS

EDPR strives to offer to the total workforce opportunities to develop professionally and assume new roles to reach the goals of the company. Employees are encouraged to take advantage of the functional and geographic mobility opportunities.

GRI 404-3 - PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

All of EDPR's employees, regardless of their professional category, are evaluated every two years to determine their development potential by providing the most suitable training. EDPR creates tailored development plan to address specific needs.

EDPR's Code of Ethics contains specific clauses of non-discrimination and equal opportunities in line with the company's culture of diversity.

Moreover, EDPR offers the possibility to all employees to define a Personal Development Plan. This plan is very effective tool that enable us to structure training actions for the candidate aimed at widening their abilities and expertise since it requires a reflection upon the results of their skills assessment and identify the individual's strong points and areas where he can improve, taking into account the employee's development level, as well as the teamwork and organizational strategy.

³ Injury Rate calculated as [# of accidents with absence/Hours worked * 1,000,000]
⁴ Lost Work Day Rate calculated as [# of working days lost/Hours worked * 1,000,000]

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The potential assessment process is independent from performance appraisal and is based on a 360 degree evaluation model which considers feedback from oneself, peers, subordinates and the manager.

“EDPR undertakes to ensure that its labor policies and procedures prevent unjustified discrimination and different treatment on the basis of ethnic or social origin, gender, sexual orientation, age, creed, marital status, disability, political orientation, opinion, birthplace or trade union membership.” Principles of Action – Code of Ethics

GRI 405-1 - DIVERSITY OF GOVERNANCE BODIES

| BOARD OF DIRECTORS COMPOSITION | | 2017 |
|---------------------------------------|--|-------------|
| BY AGE GROUP: | | |
| Under 30 years old | | 0% |
| Between 30 and 50 years old | | 18% |
| Over 50 years old | | 82% |
| BY GENDER: | | |
| Female | | 6% |
| Male | | 94% |

Following the best Corporate Governance practices, in 2016 EDPR analyzed and discussed about the possible criteria applicable in the selection of the new members of its Governing Bodies. As a conclusion, within others, it was agreed to take into account the following: the education, experience in the energy sector, integrity and independence, having a proven expertise and the diversity that such candidate may provide to the related body. Based on this, the Board of Directors would submit a proposal to the General Shareholders’ Meeting which should be approved by majority, for an appointment for an initial period of three (3) years.

A detailed description of the governance bodies can be found at the Corporate Governance Chapter of this report, Annex - Biographies. Please refer to GRI 401-1 and GRI 405-2 to employees related information.

GRI 405-2 - RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

| M / F SALARY RATIO | M / F SALARY |
|---------------------------------|---------------------|
| Board Directors (non executive) | 102% |
| Directors | 113% |
| Specialist | 107% |
| Managers | 114% |
| Technicians | 105% |

Note: Ratios are calculated by using the average salary of men and the average salary of women per each category (in €). Ratios can be affected by the different levels included in each category.

GRI 406-1 - INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

In 2017, EDPR had knowledge of a complaint for discrimination at the Equal Employment Opportunity Commission (EEOC). The issue was analyzed by the responsible area and finally, resolved and withdrawn by the complainant.



GRI 407-1 - OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

In 2015, EDPR carried out a study to characterize its Supply Chain, based on an analysis of the exposure to economic, social and environmental risks. This analysis was performed using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) methodology developed by PwC. For the ESCHER calculation routine PwC used EDP Group 2014 data related to suppliers. The study allowed EDPR to determine the following results:

- ~0%* EDPR's direct suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk.

Note: Analysis performed by PwC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data. This study is still representative of EDPR reality and companies in the sector perform these studies every 2/3 years. Data presented in this chapter resulting from this study is marked with an *.



GRI 408-1 - OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR

EDPR's Code of Ethics has specific clauses against child or forced labor. The company did not identify any operation that could have a significant risk for incidents of child labor, forced and compulsory labor or indigenous rights.

EDPR Ethical Process guarantees transparency and confidentiality.

However, in 2015, EDPR carried out a study to characterize its Supply Chain, based on an analysis of the exposure to economic, social and environmental risks. This analysis was performed using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) methodology developed by PwC. For the ESCHER calculation routine PwC used EDP Group 2014 data related to suppliers.

The study allowed EDPR to determine the following results:

- ~0%* EDPR's direct suppliers identified as having significant risk for incidents of child labor.

Note: Analysis performed by PwC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data. This study is still representative of EDPR reality and companies in the sector perform these studies every 2/3 years. Data presented in this chapter resulting from this study is marked with an *.

For further information about the Code of Ethics and the Ethics Channel please visit the Section 5 Corporate Governance, C.II. Reporting Of Irregularities or visit the ethics information on the corporate governance section, in the website, www.edpr.com.

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GRI 409-1 - OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR

EDPR's Code of Ethics has specific clauses against child or forced labor. The company did not identify any operation that could have a significant risk for incidents of forced and compulsory labor or indigenous rights.

However, in 2015, EDPR carried out a study to characterize its Supply Chain, based on an analysis of the exposure to economic, social and environmental risks. This analysis was performed using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) methodology developed by PwC.

For the ESCHER calculation routine PwC used EDP Group 2014 data related to suppliers.

The study allowed EDPR to determine the following results:

- ~0%* EDPR's direct suppliers identified as having significant risk for incidents of forced or compulsory labor.

Note: Analysis performed by PwC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data. This study is still representative of EDPR reality and companies in the sector perform these studies every 2/3 years. Data presented in this chapter resulting from this study is marked with an *.

For further information about the Code of Ethics and the Ethics Channel please visit the Section 5 Corporate Governance, C.II. Reporting Of Irregularities or visit the ethics information on the corporate governance section, in the website, www.edpr.com.

GRI 411-1 - INCIDENTS OF VIOLATIONS INVOLVING RIGHTS OF INDIGENOUS PEOPLES

EDPR did not identify any operation that could have a significant risk for incidents with indigenous rights.

GRI 412-1 - OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

EDPR has renewable plants in operation in 11 countries and is present in 12 countries, all of which are within the scope of the Code of Ethics premises and regulation.

GRI 412-2 - EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES

There is a strong commitment by the Company in relation to the dissemination and promotion of compliance with the Code of Ethics, which includes a Human Rights section.

The Code of Ethics has been widely circulated among employees of the Group through internal communications mechanisms, individual shipments, delivery to new employees, and intranet publishing. The Code of Ethics is also attached to the labour agreements of the new hires to their written acknowledgement when they join the Company. Likewise, in the Welcome Presentation organized every year for the new hires of EDPR, it is also explained the main contents of these documents, as well as the Ethics Channel existence and functioning. This information is also published on the Intranet and website of the Company.

Additionally, from March to December 2016, EDP offered an online Ethics training ("Ética EDP") available to all employees of both Europe/Brazil and North America platforms. This course achieved a major participation of around 900 EDPR employees. This type of training will be performed periodically.

GRI 412-3 - SIGNIFICANT INVESTMENT AGREEMENTS AND CONTRACTS THAT INCLUDE HUMAN RIGHTS CLAUSES OR THAT UNDERWENT HUMAN RIGHTS SCREENING

EDPR has a Code of Ethics that contains specific clauses for the respect for human rights. The Procurement Manual also includes a chapter to put the UN Global Compact principles into practice.

**GRI 413-1 – OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS**

EDPR is aware of the impact that the activity has in the local communities where it develops wind farms and how it can maximize those potential benefits for the company and the inhabitants of the surrounding areas through an open communication with the stakeholders. Therefore, the company knows the importance of having a relationship of trust and collaboration with the communities where it has presence from the very initial stages of its projects. Usually, this relationship is encouraged by organizing some informative sessions, through open dialogs with these communities in order to explain the benefits of wind energy. EDPR also organizes volunteering and sport activities to promote a sustainable development of the society. Its business generates further indirect positive impacts in the areas where the company is present through local hiring and procurement and also by the development of infrastructures and the payment of taxes and rents.

GRI 413-2 -OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

Wind farm energy is a long lasting economic development driver for the municipalities where it is present. EDPR performance of studies assessing the impact on the environment and the community before the construction, these studies include the most significant issues for the affected areas such as emissions, wastes, changes to land use, changes in landscape, health and safety impacts, affected economic activities, impacts on infrastructure, existence of historical and cultural heritage, presence of indigenous communities, and the need to displace local populations.

During operation, grievance mechanisms are also available to ensure that suggestions or complaints are properly recorded and addressed. This allows us not only to solve the complaints but to introduce improvements in all processes. A good example is the way EDPR handles the complaints related to possible interferences with TV signal. A procedure was settled involving the town halls to facilitate and speed up the collection of these complaints as soon as they arise, a proper analysis and communication with the plaintiff and a fast-satisfactory resolution.

EDPR has different programs in place to assess and manage the impact on communities, and to maximize the shared value of the company's projects.

GRI 414-1 - NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA**EDPR carried out a study to characterize its Supply Chain, including the analysis of the exposure to economic, social and environmental risks.**

EDPR is governed by a strong sense of ethics and requires that its suppliers do not have conflicts with EDPR ethical standards. In this way, the acceptance of alignment with the spirit of EDPR's Code of Ethics is required. As part of a supplier qualification process the supplier shall provide a written declaration of acceptance of the principles established in EDPR's Code of Ethics.

Additionally, the EDP Group and EDPR, has a Procurement Manual, which includes a chapter that guides each Purchasing Department to put sustainability principles into practice. Therefore, when procuring and contracting goods and services EDPR appeals to all reasonable endeavors so that selected suppliers accept to comply with the UN Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption. Procedures to guarantee this accomplishment are defined.

100% of the EDPR critical suppliers (defined as per EDP formal corporate standard methodology) are aligned with Global Compact criteria and EDPR's Code of Ethics.

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GRI 414-2 - NEGATIVE SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN

In 2015, EDPR carried out a study to characterize its Supply Chain, based on an analysis of the exposure to economic, social and environmental risks. This analysis was performed using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) methodology developed by PwC. For the ESCHER calculation routine PwC used EDP Group 2014 data related to suppliers.

The study allowed EDPR to determine the following results:

- More than 20 000* employment associated to EDPR's Supply Chain.
- More than €735* million gross value added associated to EDPR's Supply Chain.
- ~0%* EDPR's direct suppliers identified as having significant risk for incidents of child labor, forced or compulsory labor, freedom of association.

Through this study, EDPR aims to identify areas where should focus its improvement activities in order to significantly reduce its exposure to risk and optimize impacts.

Moreover, in terms of Health & Safety, in 2017, 88% of EDPR's critical suppliers (as defined as per EDP formal corporate standard methodology) had an Occupation Health & Safety System (OHS) in place. EDPR completed 1,681 hours of training on OHS to its suppliers, involving 71 companies and 2,020 workers. Additionally, EDPR audited 73 contractors companies , regarding OH&S issues.


Note: Analysis performed by PwC using ESCHER (Efficient Supply Chain Economic and Environmental Reporting) tool, based on 2014 purchasing data. This study is still representative of EDPR reality and companies in the sector perform these studies every 2/3 years. Data presented in this chapter resulting from this study is marked with an *.

GRI 415-1 -POLITICAL CONTRIBUTIONS

EDPR made no contributions to political parties in 2017.

GRI 419-1 - NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA

During 2017, the company received a total penalty of €400,244 , mainly tax-related.

 For additional information related to Social topics, please refer to Organization structure, Employees, Communities, Suppliers and Safety first Sections.



4.5. REPORTING PRINCIPLES

This is the seventh year EDPR publishes an integrated report describing the company's performance, with respect to the three pillars of sustainability: economic, environmental and social.

Information is presented according Global Reporting Initiative (GRI) *Standard 101 Foundation* guidelines for Sustainability Reporting and provides also information on the additional electricity sector supplement indicators directly related to the company business, which is the power generation from renewable sources, basically wind.

A full GRI Standards Content Index for the report can be found in the website www.edpr.com.

UNITED NATIONS GLOBAL COMPACT

Global Compact is an initiative of the United Nations launched in 2000 that defines guideline directives for businesses that opt to contribute to sustainable development. EDPR has become signatory of this initiative and is committed to put these principles into practice, informing society of the progress it has achieved.

In addition, the company has a Code of Ethics that contains specific clauses on the respect for human rights. In compliance with the Code, EDPR expresses its total opposition to forced or compulsory labor and recognizes that human rights should be considered fundamental and universal, based on conventions, treaties and international initiatives like the United Nations Universal Declaration of Human Rights, the International Labor Organization and the Global Compact. EDPR's Procurement Manual also includes a chapter that guides each Purchasing Department to put these principles into practice, so, when procuring and contracting goods and services, EDPR appeals to all reasonable endeavors so that selected suppliers accept to comply with the UN Global Compact's ten principles in the areas of human rights, labor, environment and anti-corruption.

To learn more about the UN Global Compact, please visit www.unglobalcompact.org.

GLOBAL REPORTING INITIATIVE

The GRI Standards are the first global standards for sustainability reporting, representing the global best practice for reporting on a range of economic, environmental and social impacts. A company's adherence to this initiative means that it concurs with the concept and practices of sustainability. This Annual Report has been prepared in accordance with the GRI Standards in its Core option, and these Standards have been independently assured according to ISAE 3000 by KPMG.

To learn more about the GRI guidelines, please visit www.globalreporting.org

MATERIALITY

This report includes the relevant information for the company's stakeholders, as derived from the materiality studies performed.

SUSTAINABILITY CONTEXT

This report is placed in the context of the company strategy to contribute to the sustainable development of society, whenever possible.

ACCURACY, CLARITY, COMPARABILITY AND RELIABILITY

The information presented follows the GRI guidelines aim to make information comparable, traceable, accurate and reliable.

STAKEHOLDER INCLUSIVENESS

The concerns and the feedback received from the stakeholders were taken into account during the report's creation. For additional information about the stakeholders, please refer to The Company and Stakeholders Section or visit its website.

COMPLETENESS & BALANCE

Unless otherwise stated, this report covers all the company's subsidiaries and is presented in a balanced and objective perspective.

TIMELINESS

The information presented in this report relates to FY2017. EDPR is committed to report sustainability information at least once a year. Additionally, sustainability information is reported in market reports.

4.6. EXTERNAL CHECKS

4.6.1. INDEPENDENT ASSURANCE REPORT



KPMG Asesores, S.L.
P^o. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of EDP Renováveis, S.A.

To the Management of EDP Renováveis, S.A.

We performed a limited assurance review on the non-financial information contained in EDP Renováveis, S.A., (hereinafter EDP Renováveis) Annual Report for the year ended 31 December 2017 (hereinafter 'the Report'). The information reviewed corresponds specifically to the GRI indicators described in chapters 03 Execution and 04 Sustainability.

EDP Renováveis management is responsible for the preparation and presentation of the Report in accordance with the *Sustainability Reporting Standards* of Global Reporting Initiative (GRI Standards), in its core option, as described in point 102-54 of the GRI Content Index of the Report. Management is also responsible for the information and assertions contained within the Report; for determining its objectives in respect of the selection and presentation of sustainable development performance, including the processes for determining the material issues and the key stakeholder groups; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board and also in accordance with the guidance set out by the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of EDP Renováveis processes for determining the material issues, and the participation of stakeholder groups therein.
- Interviews with relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business.
- Evaluation through interviews concerning the consistency of the description of the application of EDP Renováveis policies and strategy on sustainability, governance, ethics and integrity.



- El análisis de riesgos, incluyendo búsqueda en medios para identificar asuntos materiales durante el ejercicio cubierto por el Informe.
- La revisión de la consistencia de la información que responde a los Universal Standards de GRI con los sistemas o documentación interna.
- El análisis de los procesos de recopilación y de control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión en base a muestreos.
- La revisión de la aplicación de los requerimientos establecidos en los *Sustainability Reporting Standards* de Global Reporting Initiative (*GRI Standards*), de conformidad con la opción esencial.
- La lectura de la información incluida en el Informe para determinar si está en línea con nuestro conocimiento general y experiencia, en relación con el desempeño en sostenibilidad de EDP Renovaveis.
- El contraste de que la información financiera reflejada en el Informe ha sido auditada por terceros independientes.

Nuestro equipo multidisciplinar ha incluido especialistas en el desempeño social, ambiental y económico de la empresa.

Los procedimientos llevados a cabo en un encargo de aseguramiento limitado varían en naturaleza y tiempo empleado, siendo menos extensos que los de un encargo de aseguramiento razonable. Consecuentemente, el nivel de aseguramiento obtenido en un trabajo de revisión limitada es inferior al de uno de aseguramiento razonable. El presente informe en ningún caso puede entenderse como un informe de auditoría.

Nuestra conclusión se basa, y está sujeta a los aspectos indicados en este Informe de Revisión Independiente. Consideramos que la evidencia que hemos obtenido proporciona una base suficiente y adecuada para nuestras conclusiones.

En base a los procedimientos realizados y a la evidencia obtenida, tal y como se describe anteriormente, no se ha puesto de manifiesto ningún aspecto que nos haga creer que el Informe Anual de EDP Renovaveis, S.A. del ejercicio cerrado a 31 de diciembre de 2017 no haya sido preparado, en todos los aspectos significativos, de acuerdo con los *Sustainability Reporting Standards* de Global Reporting Initiative (*GRI Standards*), en su opción esencial, según lo detallado en el punto 102-54 del Índice de contenidos GRI del Informe, que incluye la fiabilidad en la obtención de los datos, la adecuación de la información presentada y la ausencia de desviaciones y omisiones significativas.

En otro documento, proporcionaremos a la Dirección de EDP Renovaveis un informe interno que contiene todos nuestros hallazgos y áreas de mejora.

De conformidad con los términos y condiciones de nuestra carta de encargo, este Informe de Revisión Independiente se ha preparado para EDP Renovaveis en relación con su Informe de Anual 2017 y por tanto no tiene ningún otro propósito ni puede ser usado en otro contexto.

KPMG Asesores, S.L.

José Luis Blasco Vázquez



28 de febrero de 2018

edp renováveis 

edp renováveis

THE
LIVING ENERGY
BOOK

by *edp*



CORPORATE GOVERNANCE
2017



5 Corporate Governance

Structure, Organization and Corporate Governance

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LIVING SUN

THE

LIVING

ENERGY

BOOK





05 CORPORATE GOVERNANCE

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

EDP Renováveis, S.A. (hereinafter referred to as “EDP Renováveis”, “EDPR” or the “Company”) total share capital is, since its initial public offering (IPO) in June 2008, EUR 4,361,540,810 consisting of issued and fully paid 872,308,162 shares with nominal value of EUR 5.00 each. All the shares are part of a single class and series and are admitted to trading on the Euronext Lisbon regulated market.

Codes and tickers of EDP Renováveis SA share:

ISIN: ES0127797019

LEI: 529900MUFH07Q1TAX06

Bloomberg Ticker (Euronext Lisbon): EDPR PL

Reuters RIC: EDPR.LS

EDPR main shareholder is EDP – Energias de Portugal, S.A., through EDP – Energias de Portugal, S.A. Sucursal en España (hereinafter referred as “EDP”), with 82.6% of share capital and voting rights. Excluding EDP, EDPR shareholders comprise more than 33,500 institutional and private investors spread across 21 countries with main focus in the United States and United Kingdom.

Institutional Investors represent 99% of Company shareholders (ex-EDP Group), mainly investment funds and socially responsible investors (“SRI”), while Private Investors, mostly Portuguese, stand for 1%.

For further information about EDPR shareholder structure please see chapter 1.3 Organization.

2. RESTRICTIONS TO THE TRANSFERABILITY OF SHARES

EDPR’s Articles of Association have no restrictions on the transferability of shares.

3. OWN SHARES

EDPR does not hold own shares.

4. CHANGE OF CONTROL

EDPR has not adopted any measures designed to prevent successful takeover bids.

The Company has taken no defensive measures for cases of a change in control in its shareholder structure.

CORPORATE GOVERNANCE 2017

EDPR has not entered into any agreements subject to the condition of a change in control of the Company, other than in accordance with normal practice. In the case of financing of certain wind farm projects, lenders have the right to approve change in control at the borrower if the later ceased to be controlled, directly or indirectly, by EDPR. In the case of guarantees provided by EDP Group companies, if EDP, directly or indirectly ceases to have the majority of EDPR then EDP is no longer obliged to provide such services or guarantees. The relevant subsidiaries will be obliged to provide for the cancellation or replacement of all outstanding guarantees within approximately sixty (60) days of the change of control event.

In the cases of intra-group services agreements and according to the Framework Agreement signed between EDP Renováveis S.A. and EDP Energias de Portugal S.A., the contracts will maintain their full force as long as (i) EDP maintains its share capital above 50% or the right to exercise directly or indirectly more than 50% of voting rights on EDPR's share capital or (ii) even if the share capital of EDP or its voting rights are below 50%, but more than half of the Members of the Board or of EDPR's Executive Committee are elected through an EDP proposal.

5. SPECIAL AGREEMENTS REGIME

EDPR does not have a system for the renewal or withdrawal of counter measures particularly to provide for the restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

6. SHAREHOLDERS AGREEMENTS

The Company is not aware of any shareholders' agreement that may result in restrictions on the transfer of securities or voting rights.

II. SHAREHOLDINGS AND BONDS HELD

7. QUALIFIED HOLDINGS

Qualifying holdings in EDPR are subject to the Spanish Law, which regulates the criteria and thresholds of the shareholder's ownerships. Pursuant to the Article 125, of the Spanish Securities Market Law ("Ley de Mercado de Valores") EDPR is providing the following information on qualifying holdings and their voting rights as of December 31st 2017.

As of December 31st 2017, the following qualified holdings were identified:

| SHAREHOLDER | # SHARES | % CAPITAL | % VOTING RIGHTS |
|---|-------------|-----------|-----------------|
| EDP – Energias de Portugal, S.A. – Sucursal en España | 720,191,372 | 82.6% | 82.6% |
| EDP detains 82.6% of EDPR capital and voting rights, through EDP – Energias de Portugal, S.A. – Sucursal en España. | | | |
| MFS Investment Management | 27,149,038 | 3.1% | 3.1% |
| MFS Investment Management is an American based active and global asset manager. In September 24 th 2013, MFS Investment Management reported to Comisión Nacional del Mercado de Valores (CNMV) its indirect qualified position as collective investment institution. | | | |
| Total Qualified Holdings | 747,340,410 | 85.7% | 85.7% |

As of December 31st 2017, EDPR's shareholder structure consisted of a total qualified shareholding of 85.7%, with EDP and MFS Investment Management detaining 82.6% and 3.1% of EDPR capital respectively.



8. SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Members of the Board of Directors of the Company and its delegated Committees, do not own directly or indirectly any shares from EDPR as of December 31st 2017. The last share transactions made by EDPR's Board Members were reported in August 2017 to the regulatory and supervisory entities (CMVM – Comissão de Mercado de Valores Mobiliários – in Portugal and CNMV – Comisión Nacional del Mercado de Valores – in Spain) following EDP's General and Voluntary Public Tender Offer for the acquisition of the shares issued by EDPR.

9. POWERS OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the broad-ranging powers of administration, management, and governance of the Company, with no other limitations besides the powers expressly assigned to the General Shareholders' Meetings in the Company's Articles of Association (specifically in article 13) or in the applicable law. Within this context, the Board is empowered to:

- Acquire personal property, real state, rights, shares and participations for the Company under any onerous or lucrative title;
- Dispose of mortgage or encumber Company's property, real state, rights, shares and participations and cancel mortgages and other rights;
- Negotiate and enter into loans and credit operations as deemed necessary;
- Negotiate and formalize acts and contracts with public entities or private individuals;
- Take any civil and criminal actions involving the Company, representing it before the functionaries, authorities, corporations, governmental, administrative, economic-administrative, contentious-administrative and judicial tribunals, labor courts and the labor sections of the Supreme Courts and of the High Courts of the Autonomous Communities, without limitation including before the European Court of Justice, and in general, before the public administration at all levels intervening in, promoting, monitoring and closing cases, trials and proceedings, consenting to rulings, filing appeals, including cassation and other extraordinary appeals, desisting and agreeing, issuing notices and summonses and granting Power of Attorney to solicitors and other proxies, with the faculties deemed necessary in each the case, including general powers for legal proceedings and the special powers as necessary, as well as revoking such powers;
- Agree the allotment of dividends;
- Convene the General Meetings and submit the proposals to the shareholders for their consideration;
- Conduct the Company's operations and the organization of its work and operations, staying abreast of the Company businesses and operations, managing the investment of funds, making extraordinary depreciations of its obligations and doing what deemed necessary to achieve objectives of the Company;
- Appoint and remove Directors and other technical and administrative personnel of the Company, defining their responsibilities and their remuneration;
- Settle the transfer of the Company's registered office within the same municipal area;
- Incorporate legal entities under the terms stipulated in the law; assigning and investing in them all kind of assets and rights, as well as executing merger and cooperation agreements, association, groups, joint ventures, and joint property agreements and settle their amendment, transformation and termination;
- All other powers expressly assigned to the Board in the Articles of Association or in the applicable law, being this enumeration merely indicative and in no way restrictive.

As of April 9th 2015, the General Shareholders' Meeting approved the delegation to the Board of Directors of the power to issue in one or more occasions both:

- Fixed income securities or other debt instruments of analogous nature,
- Fixed income securities or other type of securities (warrants included) convertible or exchangeable into EDP Renováveis, S.A. shares, or that recognize at the Board of Directors' discretion the right of subscription or acquisition of shares of EDP Renováveis, S.A. or of other companies, up to a maximum amount of three hundred million Euros (EUR 300,000,000) or its equivalent in other currency.

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As part of such delegation, the General Shareholder's Meeting delegated into the Board of Directors the power to increase the share capital up to the necessary amount to execute the power above. Additionally, it was also approved to authorize the Board of Directors for the acquisition of own shares by the Company and/or the affiliate companies. These delegations may be exercised by the Board of Directors within a period of five (5) years since the proposal was approved, and within the limits provided under the law and the By-Laws.

The General Shareholders' Meeting may also delegate to the Board of Directors the power to implement an adopted decision to increase the share capital, indicating the date or dates of its implementation and establishing any other conditions that were not specified by the General Shareholders' Meeting. The Board of Directors may use this delegation wholly or partially, and may also decide not to perform it in accordance with the situation and conditions of the Company, the market, or any particularly relevant events or circumstances that justify such decision. of which the General Shareholders' Meeting must be informed at the end of the time limit or limits for adopting and performing the decision.

10. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN THE HOLDERS OF QUALIFYING HOLDINGS AND THE COMPANY

Information on any significant business relationships between the holders of qualifying holdings and the Company is described on topic 90 of this Report.

B. CORPORATE BOARDS AND COMMITTEES

I. GENERAL SHAREHOLDERS' MEETING

A. COMPOSITION OF THE BOARD OF THE GENERAL MEETING

11. BOARD OF THE GENERAL SHAREHOLDERS' MEETING

The Members of the Board of the General Shareholders' Meeting are its Chairman, the Chairman of the Board of Directors or his substitute, the other Directors and the Secretary of the Board of Directors.

The Chairman of the General Shareholders' Meeting is José António de Melo Pinto Ribeiro, who was elected on the General Meeting of April 8th, 2014, for a three-year (3) term; and re-elected on the General Shareholders' Meeting held on April 6th, 2017 for an additional three-year (3) term.

The Chairman of the Board of Directors is António Mexia, who was re-elected for a three-year (3) term on the General Shareholders' Meeting held in April 9th, 2015.

The Secretary of the Board of Directors is Emilio García-Conde Noriega who is also the Secretary of the General Shareholders' Meeting, and was appointed as Secretary of the Board of Directors on December 4th 2007. The Secretary of the Board of Directors' mandate does not have an end of term date according to the Spanish Companies Law since he is a non-Member of the Board.

The Chairman of the General Shareholders' Meeting of EDPR has at his disposal, the necessary human and logistical resources required for the performance of his duties. Therefore, in addition to the resources provided by the Company's General Secretary, the Company hires a specialized entity to give support to the meeting and to collect, process and count the votes submitted by the shareholders on each General Shareholders' Meeting.



B. EXERCISING THE RIGHT TO VOTE

12. VOTING RIGHTS RESTRICTIONS

Each share entitles its holder to one vote. EDPR's Articles of Association have no restrictions regarding voting rights.

13. VOTING RIGHTS

EDPR's Articles of Association have no reference to a maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship. All shareholders, regardless the number of shares owned, may attend to the General Shareholders' Meeting and request the information or explanations that they consider relevant regarding the matters included in the Agenda of the convened meeting, and are entitled as shareholders of the Company, to take part in its deliberations and to participate in its voting process.

In order to exercise their right to attend, the Company informs in the related Notice and Shareholders' Guide of each General Shareholders' Meeting, that the shareholders must have the ownership of their shares duly registered in the Book Entry Account at least five (5) days prior to the date of the General Shareholders' Meeting.

Any shareholder may be represented at the General Shareholders' Meeting by a third party, even if such representative is not a shareholder, by means of a revocable Power of Attorney. The Board of Directors may require shareholders' Power of Attorney to be in the Company's possession at least two (2) days in advance, indicating the name of the representative.

These Powers of Attorney shall be granted specifically for each General Shareholders' Meeting and can be evidenced, in writing or by remote means of communication, such as mail or post.

Shareholders may vote on the topics included on the Meeting's Agenda, in person (or by means of the corresponding representative) at the meeting, by ordinary mail or by electronic communication. Remote votes can be revoked subsequently by the same means used to cast them, always within the deadlines established for that purpose; or by personal attendance to the General Shareholders' Meeting of the shareholder who casted the vote to his/her representative.

The Board of Directors approves a Shareholder's Guide for each General Shareholders' Meeting, detailing mail and electronic communication voting forms among other matters. This Guide is available at the Company's website (www.edprenovaveis.com).

Votes by post shall be sent in writing to the place indicated on the Notice of the meeting, accompanied by the documentation indicated in the Shareholder's Guide. In order to vote by electronic means, the shareholders who requested it, will receive a password in accordance with the deadlines and form established in the Notice of the General Shareholders' Meeting.

Pursuant to the terms of article 15 of the Articles of Association, both electronic and mail-in votes must be received by the Company before midnight (24.00 hours) of the day before the scheduled meeting date of first call.

14. DECISIONS THAT CAN ONLY BE ADOPTED BY A QUALIFIED QUORUM

According to EDPR's Articles of Association and as established in the law, both ordinary and extraordinary General Shareholders' Meetings are validly constituted when first called if the shareholders, either present or represented, jointly reach at least twenty-five percent (25%) of the subscribed voting capital. On second call, the General Shareholders' Meeting will be validly constituted regardless of the amount of the capital present or represented.

To validly approve the issuance of bonds, the increase or reduction of capital, the transformation, global assignment of assets and liabilities, merger or spin-off of the Company, the transfer of the Registered Office abroad, the elimination or limitation of pre-emptive rights of new shares and in general, any necessary amendment to the Articles of Association,

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in the Ordinary or Extraordinary Shareholders' Meeting, it is required that on first call, the Shareholders, either present or represented, reach at least fifty percent (50%) of the subscribed voting capital and, on second call, at least twenty-five percent (25%) of the subscribed voting capital.

In relation to the quorum required to validly approve these matters, in accordance with the Law and the Articles of Association, when the shareholders attending represent more than fifty percent (50%) of the subscribed voting capital, the above mentioned resolutions will be validly adopted by absolute majority, and in the case the shareholders attending represent between the twenty-five percent (25%) and the fifty percent (50%) - but without reaching it - the favourable vote of the two-thirds (2/3) of the present or represented capital in the General Shareholders' Meeting will be required to approve these resolutions.

EDPR has not established any mechanism that may intend to cause mismatching between the rights to receive dividends or the subscription of new securities and the voting right of each common share and has not adopted mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided by the law.

II. MANAGEMENT AND SUPERVISION

A. COMPOSITION

15. CORPORATE GOVERNANCE MODEL

EDPR is a Spanish Company listed in a regulated stock exchange in Portugal. The corporate organization of EDPR is subject to its personal law and to the extent possible, to the recommendations contained in the Portuguese Corporate Governance Code, ("Código de Governo das Sociedades") approved by the Comissão do Mercado de Valores Mobiliários ("CMVM" - Portuguese Securities Market Commission) in July 2013. This governance code is available at CMVM website (www.cmvm.pt).

The organization and functioning of EDPR corporate governance model aims to achieve the highest standards of corporate governance, business conduct and ethics referenced on the best national and international practices.

EDPR has adopted the governance structure currently applicable in Spain. It comprises a General Shareholders' Meeting and a Board of Directors that represents and manages the Company.

As contemplated in the law and in its Articles of Association, the Company's Board of Directors has set up four committees. These are the Executive Committee, the Audit and Control Committee, the Nominations and Remunerations Committee and the Related-Party Transactions Committee.

In order to ensure a better understanding of EDPR corporate governance by its shareholders, the Company publishes its updated Articles of Association as well as its Committees Regulations at its website (www.edprenovaveis.com).

The governance model of EDPR was designed to ensure the transparent and meticulous separation of duties and the specialization of supervision. EDPR performs the management and supervision activities as the Company through the following governing bodies:

- General Shareholders' Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- External auditor



The purpose of the choice of this model is, to the extent possible, to adapt the Company's corporate governance structure to the Portuguese legislation. The governance model adopted by EDPR therefore seeks, as far as it is compatible with its personal law, to correspond to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility of an Audit and Control Committee.

The experience of institutional operating indicates that the governance model approved by EDPR shareholders, and adopted in EDPR, is appropriate to the corporate organization of its activity, especially because it affords transparency and a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different Board of Directors special committees.

The institutional and functional relationship between the Executive Committee, the Audit and Control Committee and the other Non-Executive members of the Board of Directors has been of internal harmony conducive to the development of the Company's business.

16. RULES FOR THE NOMINATION AND REPLACEMENT OF DIRECTORS

According to Article 29.5 of the Company's Articles of Association, the Nominations and Remunerations Committee is empowered by the Board of Directors to advise and inform the Board regarding the appointments (including by co-option), re-elections, removals and remuneration and duties of the Board Members, as well as the composition of the several Committees of the Board. The Committee also advises on the appointment, remuneration and dismissal of top management officers. The Committee proposes the appointment and re-election of the Directors and of the composition of the Committees by presenting a proposal with the names of the candidates that considers to have the best qualities to fulfil the role of Board Member.

Following the best Corporate Governance practices, in 2016 EDPR analyzed and discussed about the possible criteria applicable in the selection of the new members of its Governing Bodies. As a conclusion, within others, it was agreed to take into account the following: the education, experience in the energy sector, integrity and independence, having a proven expertise and the diversity that such candidate may provide to the related body. Based on this, the Board of Directors would submit a proposal to the General Shareholders' Meeting which should be approved by majority, for an appointment for an initial period of three (3) years. These members may be re-elected once or more times for further periods of three (3) years. For more information about the composition of the Board of Directors please check the Sustainability chapter at its topic GRI 405-1, and the Annex of this report which includes the curricular details of its Members.

Pursuant to Articles 23 of the Articles of Association and 243 of the Spanish Companies Law, shareholders may group their shares until constituting an amount of capital equal or higher than the result of dividing the company's capital by the number of Members of the Board, to be entitled to appoint a number of Directors equal to the result of the fraction using only whole amounts. Those shareholders making use of this power, cannot intervene in the nomination of the other members of the Board of Directors.

In case of a vacancy, pursuant to the Articles of Association and the Spanish Companies Law, the Board of Directors may co-opt a new Board Member, who will occupy the position until the next General Shareholders' Meeting, to which a proposal will be submitted for the ratification of such appointment by co-option. Pursuant to the Spanish Companies Law, the co-option of Directors must be approved by absolute majority of the Directors at the meeting.

17. COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Articles 20 and 21 of the Company's Articles of Association, the Board of Directors shall consist of no less than five (5) and no more than seventeen (17) Directors. The term of office shall be of three (3) years, and may be re-elected once or more times for equal periods.

The number of Board Members was established in seventeen (17) members according to the decision of the General Shareholders' Meeting held on June 21st 2011. As of December 31st, 2017, the members of the Board of Directors are:

**CORPORATE GOVERNANCE
2017**

| BOARD MEMBER | POSITION | DATE OF FIRST APPOINTMENT | DATE OF RE-ELECTION | END OF TERM |
|------------------------------|--------------------|---------------------------|---------------------|--|
| António Mexia | Chairman | 18/03/2008 | 09/04/2015 | 09/04/2018 |
| João Manso Neto | Vice-Chairman, CEO | 18/03/2008 | 09/04/2015 | 09/04/2018 |
| João Paulo Costeira | Director | 21/06/2011 | 09/04/2015 | 09/04/2018 |
| Duarte Bello* | Director | 26/09/2017 | - | Until the next General Shareholders' Meeting |
| Miguel Ángel Prado* | Director | 26/09/2017 | - | Until the next General Shareholders' Meeting |
| Nuno Alves | Director | 18/03/2008 | 09/04/2015 | 09/04/2018 |
| João Lopes Raimundo | Director | 04/06/2008 | 09/04/2015 | 09/04/2018 |
| João Manuel de Mello Franco | Director | 04/06/2008 | 09/04/2015 | 09/04/2018 |
| Jorge Santos | Director | 04/06/2008 | 09/04/2015 | 09/04/2018 |
| Manuel Menéndez Menéndez | Director | 04/06/2008 | 09/04/2015 | 09/04/2018 |
| Gilles August | Director | 14/04/2009 | 09/04/2015 | 09/04/2018 |
| Acácio Piloto | Director | 26/02/2013 | 09/04/2015 | 09/04/2018 |
| António Nogueira Leite | Director | 26/02/2013 | 09/04/2015 | 09/04/2018 |
| José Ferreira Machado | Director | 26/02/2013 | 09/04/2015 | 09/04/2018 |
| Allan J. Katz | Director | 09/04/2015 | - | 09/04/2018 |
| Francisca Guedes De Oliveira | Director | 09/04/2015 | - | 09/04/2018 |
| Francisco Seixas da Costa | Director | 14/04/2016 | - | 14/04/2019 |

* In 2017, Miguel Dias Amaro and Gabriel Alonso resigned from their positions as members of the Board of Directors, and in order to cover these vacancies, in accordance with the proposals submitted by the Nominations and Remunerations Committee, the Board of Directors agreed in its meeting held on September 26th, 2017 to appoint by co-option Duarte Bello and Miguel Ángel Prado as Members of the Board of Directors of EDPR and its Executive Committee. The term of these co-options will be in full force until the next General Shareholders' Meeting, to which a proposal of ratification will be submitted according to the terms explained in the topic 16 above.

18. EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

EDPR's Articles of Association, which are available at Company's website (www.edprenovaveis.com), contain the rules on independence for the fulfilment of duties in any body of the Company. The independence of the Directors is evaluated according to the Company's personal law, the Spanish law.

Despite the applicable CMVM recommendations do not specifically require a minimum of independent members within the Board of Directors, and only recommends to take into account some criteria as the adopted governance model, the size of the Company, its shareholder structure and the relevant free float; article 12 of EDPR's Board of Directors regulations requires that at least a twenty-five percent (25%) of the Members of the Board shall be independent. Likewise, Article 20.2 of EDPR's Articles of Association defines independent members of the Board of Directors as those who are able to perform their duties without being limited by relations with the Company, its significant Shareholders, or its management officers and comply with the other legal requirements.

In addition, Article 23 of the Articles of Association refers to the incompatibilities with the position of Director of the Company, establishing that the following may not be Directors:

- Those who are directors of or are associated with any competitor of EDPR, or have family relations with them. In this respect a Company shall be considered as a competitor of EDPR, whenever it is engaged, if it is directly or indirectly involved in the production, storage, transport, distribution, marketing or supply of electricity or fuel gas; or also if has interests opposed to those of EDPR, or to the ones of any competitor or any of the companies in its group, and the Board members, employees, lawyers, consultants, or representatives of any of them. Under no circumstances shall companies belonging to the same group as EDPR, including abroad, be considered competitors;
- Those who are in any other situation of incompatibility or prohibition under the law or EDPR's Articles of Association. Under Spanish law, among others, are not allowed to be Directors those who are underage - under eighteen (18)



years - and were not emancipated, disqualified, competitors, convicted of certain offences, or that hold certain management positions.

The Chairman of EDPR's Board of Directors does not have executive duties.

In accordance with the law and pursuant the last amendment of Articles of Association, it has been established that a Non-Executive Directors can only be represented in the Board meetings by other Non-Executive Director. The following table includes the executive, non-executive and independent members of the Board of Directors. The independent members mentioned below meet the independence and compatibility criteria required by the law and the Articles of Association.

| BOARD MEMBER | POSITION | INDEPENDENT |
|------------------------------|--|-------------|
| António Mexia | Chairman and Non-Executive Director | - |
| João Manso Neto | Executive Vice-Chairman and Executive Director | - |
| João Paulo Costeira | Executive Director | - |
| Duarte Bello* | Executive Director | - |
| Miguel Ángel Prado* | Executive Director | - |
| Nuno Alves | Non-Executive Director | - |
| João Lopes Raimundo | Non-Executive Director | Yes |
| João Manuel de Mello Franco | Non-Executive Director | Yes |
| Jorge Santos | Non-Executive Director | Yes |
| Manuel Menéndez Menéndez | Non-Executive Director | - |
| Gilles August | Non-Executive Director | Yes |
| Acácio Piloto | Non-Executive Director | Yes |
| António Nogueira Leite | Non-Executive Director | Yes |
| José Ferreira Machado | Non-Executive Director | Yes |
| Allan J. Katz | Non-Executive Director | Yes |
| Francisca Guedes de Oliveira | Non-Executive Director | Yes |
| Francisco Seixas da Costa | Non- Executive Director | Yes |

*In 2017, Miguel Dias Amaro and Gabriel Alonso resigned from their positions as members of the Board of Directors, and in order to cover these vacancies, in accordance with the proposals submitted by the Nominations and Remunerations Committee, the Board of Directors agreed in its meeting held on September 26th, 2017 to appoint by co-option Duarte Bello and Miguel Ángel Prado as Members of the Board of Directors of EDPR and its Executive Committee.

19. PROFESSIONAL QUALIFICATIONS AND BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

The main positions held by the members of the Board of Directors in the last five (5) years, those that they currently hold, positions in Group and non-Group companies and other relevant curricular information details are available in the Annex of this Report.

20. FAMILY, PROFESSIONAL AND BUSINESS RELATIONSHIPS OF THE MEMBERS OF THE BOARD OF DIRECTORS WITH QUALIFYING SHAREHOLDERS

Qualifying Shareholders in EDPR are subject to the Spanish Law, which regulates the criteria and thresholds of the shareholders' holdings. As of December 31st 2017, and as far as the Company was informed, there are no family or business relationships of Members of the Board of Directors with qualifying shareholders but only professional relationships due to the fact that some of the Members of EDPR's Board of Directors are currently Members of the Board of Directors in other companies belonging to the same group as EDP Energias de Portugal S.A., which are the following:

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- António Mexia;
- João Manso Neto;
- Nuno Alves;
- Manuel Menéndez Menéndez.

Or employees in other companies belonging to EDP's Group, which are the following:

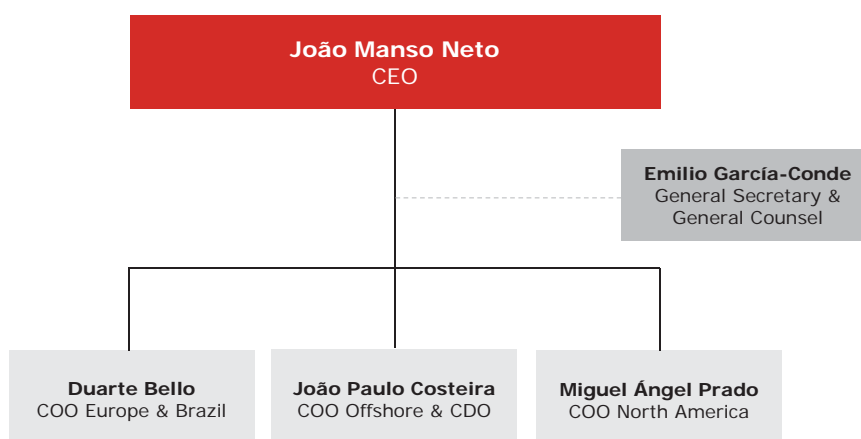
- João Paulo Costeira;
- Duarte Bello;
- Miguel Ángel Prado.

21. MANAGEMENT STRUCTURE

According to the Spanish Law and Spanish companies' practices, the daily management of the business is guaranteed by a Chief Executive Officer who is empowered to ensure the day-to-day management of the Company. This type of organization is different from what occurs on the Portuguese companies in which a "Conselho de Administração Executivo" takes the assignment of areas of business and each Executive Director is responsible to and for an area of business.

In 2017, EDPR approved the new composition and areas of responsibility of the Executive Committee in order to address the challenges faced by the Company, namely the fulfilment of the Business Plan targets and the increased importance of Offshore Wind business. As part of these organizational restructuring, it was agreed to appoint João Paulo Costeira as the Chief Operating Officer Offshore ("COO Offshore") and Chief Development Officer ("CDO") of EDPR.

Likewise, the Board of Directors approved the proposal from the Nominations and Remunerations Committee for the appointment of both Duarte Bello and Miguel Ángel Prado as Members of EDPR's Board of Directors and of its Executive Committee, and for their appointments as Joint Directors and as Chief Operating Officer of Europe & Brazil and Chief Operating Officer of North America respectively. Given such approvals, as of 31st December 2017, EDPR Executive Committee is composed by the following members, who are also Joint Directors:





B. FUNCTIONING

22. BOARD OF DIRECTORS REGULATIONS

EDPR's Board of Directors Regulations is available at Company's website (www.edprenovaveis.com), and at Company's headquarters at Plaza de la Gesta, 2, Oviedo, Spain.

23. NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS

According to the Law and its Articles of Association, EDPR's Board of Directors meetings take place at least once every quarter. During the year ending on December 31st 2017, the Board of Directors held eight (8) meetings. Minutes of all meetings were drawn. The table below expresses the attendance percentage of the participation of the Directors to the meetings held during 2017:

| BOARD MEMBER | POSITION | ATTENDANCE* |
|------------------------------|---------------------------------|-------------|
| António Mexia | Chairman and Non-Executive | 75% |
| João Manso Neto | Executive Vice-Chairman and CEO | 100% |
| João Paulo Costeira | Executive | 75% |
| Duarte Bello* | Executive | 100% |
| Miguel Ángel Prado* | Executive | 100% |
| Nuno Alves | Non-Executive | 50% |
| João Lopes Raimundo | Non-Executive and Independent | 100% |
| João Manuel de Mello Franco | Non-Executive and Independent | 100% |
| Jorge Santos | Non-Executive and Independent | 100% |
| Manuel Menéndez Menéndez | Non-Executive | 75% |
| Gilles August | Non-Executive and Independent | 62.5% |
| Acácio Piloto | Non-Executive and Independent | 100% |
| António Nogueira Leite | Non-Executive and Independent | 100% |
| José Ferreira Machado | Non-Executive and Independent | 100% |
| Allan J. Katz | Non-Executive and Independent | 75% |
| Francisca Guedes de Oliveira | Non-Executive and Independent | 100% |
| Francisco Seixas da Costa | Non- Executive and Independent | 100% |

*The percentage reflects the meetings attended by the Members of the Board, provided that Duarte Bello and Miguel Ángel Prado joined the Board on September 26th 2017, and therefore, the percentage expressed is calculated over the meetings celebrated since then.

24. COMPETENT BODY FOR THE PERFORMANCE APPRAISAL OF EXECUTIVE DIRECTORS

The Nominations and Remunerations Committee is the body responsible for the evaluation of the performance of the Executive Directors. According to Article 249 bis of the Spanish Companies Law, the Board of Directors supervises the effective functioning of its Committees as well as the performance of the delegated bodies and Directors designated.

25. PERFORMANCE EVALUATION CRITERIA

The criteria for assessing the Executive Directors' performance are described on topics 70, 71 and 72 of this Report.

26. AVAILABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS

The members of Board of Directors of EDPR are fully available for the performance of their duties having no constraints for the execution of this function simultaneously with other positions. The positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of the Board of Directors throughout the financial year are listed in the Annex of this report.

C. COMMITTEES WITHIN THE BOARD OF DIRECTORS OR SUPERVISORY BOARD AND BOARD DELEGATES

27. BOARD OF DIRECTORS' COMMITTEES

Pursuant to Article 10 of the Company's Articles of Association, the Board of Directors may have delegated bodies. The Board of Directors has set up four Committees:

- Executive Committee
- Audit and Control Committee
- Nominations and Remunerations Committee
- Related-Party Transactions Committee

With the exception of the Executive Committee, all Committees are composed of independent members. The regulations of EDPR Board of Directors' Committees are available at the Company's website (www.edprenovaveis.com).

28. EXECUTIVE COMMITTEE COMPOSITION

Pursuant to Article 27 of the Company's Articles of Association, the Executive Committee shall consist of no less than four (4) and no more than seven (7) Directors.

Its constitution, the nomination of its members and the extension of the powers delegated must be approved by two-thirds (2/3) of the members of the Board of Directors.

In its meeting held on September 26th 2017, the Board of Directors acknowledged the resignation of Gabriel Alonso and Miguel Dias Amaro from their positions as members of the Board and Executive Committee, and thus the Board agreed to appoint by cooption of both Duarte Bello and Miguel Ángel Prado as members of EDPR Board of Directors, of its Executive Committee and Joint Directors. Given such approvals, as of December 31st 2017, EDPR Executive Committee is composed by the following members, who are also Joint Directors:

- João Manso Neto, who is the Chairman and CEO
- João Paulo Costeira
- Duarte Bello
- Miguel Ángel Prado

Additionally, Emilio García-Conde Noriega is the Secretary of the Executive Committee.



29. COMMITTEES COMPETENCES

EXECUTIVE COMMITTEE

FUNCTIONING

In addition to the Articles of Association, this committee is also governed by its regulations approved on June 4th 2008 and last amended on November 2nd 2016. The committee regulations are available at the Company's website (www.edprenovaveis.com).

In order to adopt the best practices of Corporate Governance and with the aim of promoting the transparency in the management of the Company, the regulations of this committee include within the list of non - delegable matters of the Board of Directors a clarification on the definition of the matters that should be considered as strategic matters based on economical, risk or special features criteria.

The Executive Committee shall meet at least once a month and whenever is deemed appropriate by its Chairman, who may also suspend or postpone meetings when he sees fit. The Executive Committee shall also meet when requested by at least two (2) of its members.

The Chairman of the Executive Committee, who is currently also the Vice-Chairman of the Board of Directors, submits to the Chairman of the Audit and Control Committee and to the rest of the members of the Board, the convening notices and minutes of the meetings of this Committee.

Meetings of the Executive Committee are valid if half of its members plus one are present or represented. Decisions shall be adopted by majority. In the event of a tie, the Chairman shall have the casting vote.

Executive Directors shall provide any clarifications needed by the other Directors or corporate bodies whenever requested to do so.

The composition of the Executive Committee is described on the previous topic.

The Executive Committee is a permanent body to which all the competences of the Board of Directors that are delegable under the law and the Articles of Association can be assigned. The non-delegable competences are the following:

- Election of the Chairman of the Board of Directors;
- Appointment of Directors by co-option;
- Request to convene or convening of General Shareholders' Meetings and the preparation of the agenda and proposals of resolutions;
- Preparation of the Annual Reports and Management Reports and their presentation to the General Shareholders' Meeting;
- Change of registered office;
- Preparation and approval of mergers, spin-off, or transformation projects of the Company;
- Monitoring the effective functioning of the Board of Directors committees and the performance of delegated bodies and appointed directors;
- Definition of the Company's general policies and strategies. In any case, the following transactions individually considered, shall be subject to the prior approval of the Board of Directors, or its ratification in cases of justified urgency:
 - Acquisition or sale of assets, rights or participations with an economic value higher than seventy-five million Euros (EUR 75,000,000) and not included in the budget approved by the Board of Directors;
 - Opening or closing of establishments/branches or relevant parts of establishments /branches, as well as the extension or reduction of its activity;

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- Other business activity or transactions, including expansion investments, with a significant strategic relevance or with an economic value higher than seventy-five million Euros (EUR 75,000,000) and not included in the budget approved by the Board of Directors; or
- Creation or termination of strategic alliances or partnerships or other forms of long-term cooperation;
- Authorization or waiver of the obligations arising from duty of loyalty;
- Organization and functioning of the Board of Directors;
- Preparation of any report required by the law to the management body, provided that the operation referred in the report cannot be delegated;
- Appointment and dismissal of Chief Executive Officer, top management directly depending from the Board of Directors or any of its members, and their general contractual conditions including remuneration;
- Decisions concerning director's remuneration within the Articles of Association's frame and, if any, the remuneration policy approved by the General Meeting;
- Policy concerning own shares;
- The faculties that the General Meeting may have delegated on the Board of Directors, except for the cases expressly authorized by the first to sub delegate them.

2017 ACTIVITY

In 2017 the Executive Committee held 50 meetings. The Executive Committee's main activity is the daily management of the Company.

AUDIT AND CONTROL COMMITTEE

COMPOSITION

Pursuant to Article 28 of the Company's Articles of Association and Article 9 of the Committee's Regulations, the Audit and Control Committee consists of no less than three (3) and no more than five (5) members.

According to Article 28.5 of the Articles of Association the term of office of the Chairman of the Audit and Control Committee is a maximum of six (6) years. Jorge dos Santos was first elected on April 8th, 2014 for the position of Chairman of the Audit and Control Committee, following the opinion presented by the Nominations and Remuneration Committee.

The Audit and Control Committee consists of three (3) independent members, plus the Secretary. As of December 31st 2017, the members of the Audit and Control Committee are:

- Jorge Santos, who is the Chairman
- João Manuel de Mello Franco
- João Lopes Raimundo

Additionally, Mr. Emilio García-Conde Noriega is the Secretary of the Audit and Control Committee.

COMPETENCES

The competences of the Audit and Control Committee are as follows:

- Reporting, through the Chairman, to the General Shareholders' Meetings on questions falling under its jurisdiction;
- Proposing the appointment of the Company's auditors to the Board of Directors for subsequent approval by the General Shareholders' Meeting, as well as the contractual conditions, scope of the work – specially concerning audit services, "audit related" and "non-audit" – annual activity evaluation and revocation or renovation of the auditor appointments;



- Supervising the finance reporting and the functioning of the internal risk management and control systems, as well as, evaluating those systems and proposing the adequate adjustments according to the Company necessities;
- Supervising internal audits and compliance;
- Establishing a permanent contact with the external auditors to assure the conditions, including independence, that may be adequate for provision of services performed by them acting as the Company speaker for these subjects related to the auditing process, and receiving and maintaining information on any other questions regarding accounting subjects;
- Preparing an annual report on its supervisory activities, including eventual constraints, and expressing an opinion on the Management Report, the accounts and the proposals presented by the Board of Directors;
- Receiving notices of financial and accounting irregularities presented by the Company's employees, shareholders, or entities that have a direct interest and judicially protected, related with the Company's social activity;
- Engaging the services of experts to collaborate with Committee members in the performance of their functions (when engaging the services of such experts and determining their remuneration, it must be taken into account the importance of the matters entrusted to them and the economic situation of the Company);
- Drafting reports at the request of the Board and its Committees;
- Any other powers entrusted to it by the Board of Directors or the Articles of Association.

FUNCTIONING

In addition to the Articles of Association and the law, this Committee is governed by its regulations approved on June 4th 2008 and amended on May 4th 2010, which are available at the Company's website (www.edprenovaveis.com).

The committee shall meet at least once a quarter and additionally whenever its Chairman sees fit. This committee shall draft minutes of every meeting held and inform the Board of Directors of its decisions at the first Board meeting after each committee meeting.

Decisions shall be adopted by majority. The Chairman shall have the casting vote in the event of a tie.

2017 ACTIVITY

In 2017 the Audit and Control Committee's activities included the following:

- Monitor the closure of quarterly accounts, first half-year and year-end accounts, to familiarize itself with the preparation and disclosure of financial information, internal audit, internal control and risk management activities;
- Analysis of relevant rules to which the committee is subject in Portugal and Spain;
- Information about the independence of the External Auditor and the rules of the appointment of an External Auditor for 2018, 2019 and 2020;
- Issuance of the favorable opinion about the proposals received to perform external auditor services, and proposal of the new External Auditor of EDPR to be submitted to the Board of Directors to its presentation to the General Shareholders' Meeting to be held in 2018 (including its contractual conditions and scope);
- Assessment of the external auditor's work, especially concerning the scope of work in 2017, approval of all "audit related" and "non-audit" services and analysis of external auditor's remuneration;
- Supervision of the quality and integrity of the financial information in the financial statements and participation in the Executive Committee meeting at which these documents were analyzed and discussed;
- Drafting of an opinion about the individual and consolidated reports and accounts, in a quarterly, half year and yearly basis;
- Monitoring of the 2017 Internal Audit Action Plan and pre-approval of the 2018 Internal Audit Action Plan;
- Monitoring of the Internal Audit recommendation issued at June 2017 closing;
- Supervision of the quality, integrity and efficiency of the internal control system, risk management and internal auditing;
- Information about Whistle-Blowing;
- Information about the contingencies affecting to the Group;

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- Information about the proposal of application of results for the fiscal year ended on December 31st and the distribution of dividends;
- Quarterly and annual report of its activities and self-assessment about its performance.

The Audit and Control Committee found no constraints during its control and supervision activities.

The information regarding the meetings celebrated by this Committee and the attendance of its related members during the year 2017 is described at topic 35.

NOMINATIONS AND REMUNERATIONS COMMITTEE

COMPOSITION

Pursuant to Article 29 of the Company's Articles of Association and Article 9 of its Regulations, the Nominations and Remunerations Committee shall consist of no less than three (3) and no more than six (6) members. At least one of its members must be independent and shall be the Chairman of the committee.

In accordance with Recommendation 52 of the Spanish Unified Code of Good Governance (*"Código Unificado de Buen Gobierno"*) approved by the Board of CNMV on February 18th 2015, the Nominations and Remunerations Committee must be entirely constituted by Non-Executive Directors and being the majority of them independent. In compliance with this Recommendation, and to the extent possible, also with the recommendation indicated in chapter II.3.1 of the Portuguese Corporate Governance Code (as considering that in Spain this committee shall be entirely comprised by members of its Board of Directors), EDPR's Nominations and Remunerations Committee is entirely constituted by Non-Executive and independent members of its Board of Directors.

As of December 31st 2017, the Nominations and Remunerations Committee consists of four (4) independent members, plus the Secretary:

- João Manuel de Mello Franco, who is the Chairman
- António Nogueira Leite
- Acácio Jaime Liberado Mota Piloto
- Francisco Seixas da Costa

Additionally, Emilio García-Conde Noriega is the Secretary of the Nominations and Remunerations Committee.

None of the committee members are spouses or up to third degree relatives in direct line of the other members of the Board of Directors.

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while remaining Company Directors.

COMPETENCES

The Nominations and Remunerations Committee is a permanent body belonging to the Board of Directors with an informative and consultative nature and its recommendations and reports are not binding.

The Nominations and Remunerations Committee has no executive functions. The main functions of the Nominations and Remunerations Committee are to assist and report to the Board of Directors about appointments (including by co-option), re-elections, removals, and the remuneration of the Board Members and its Officers, the composition of the Board delegated Committees, as well as the appointment, remuneration, and removal of executive staff. The



Nominations and Remunerations Committee shall also inform the Board of Directors on general remuneration and incentive policy and incentives for Board members and executive staff. These functions include the following:

- Defining the standards and principles governing the composition of the Board of Directors and the selection and appointment of its members;
- Proposing the appointment and re-election of Directors in cases of appointment (also by co-option) for the submission to the General Shareholders' Meeting by the Board of Directors;
- Proposing to the Board of Directors the candidates for the different committees;
- Proposing to the Board, within the limits established in the Articles of Association, the remuneration system, distribution method, and amounts payable to the Directors;
- Making proposals to the Board of Directors on the conditions of the contracts signed with Directors;
- Informing and making proposals to the Board of Directors regarding the appointment and/or removal of executives and the conditions of their contracts and generally defining the hiring and remuneration policies of executive staff;
- Reviewing and reporting on incentive plans, pension plans, and compensation packages;
- Reflecting on the governance system adopted by EDPR in order to identify areas for improvement;
- Any other functions assigned to it in the Articles of Association or by the Board of Directors.

FUNCTIONING

In addition to the Articles of Association, the Nominations and Remunerations Committee is governed by its Regulations approved on June 4th 2008. The committee's regulations are available at the Company's website (www.edprenovaveis.com).

This committee shall meet at least once every quarter and also whenever its Chairman sees fit. This committee shall draft minutes of every meeting held and inform the Board of Directors of its decisions at the first Board meeting after each committee meeting. Decisions shall be adopted by majority. The Chairman shall have the deciding vote in the event of a tie.

2017 ACTIVITY

In 2017 the Nominations and Remunerations Committee activities were:

- Proposing to the Board of Directors submitting the re-election Jose Antonio Pinto Ribeiro as Chairman of the General Shareholder's Meeting for the statutory term of three (3) years to the Shareholder's Meeting held in April 9th, 2017. Performance evaluation of the Board of Directors and the Executive Committee;
- Drafting of the Remuneration Policy and Remuneration Model for 2017-2019 to be proposed to the Board of Directors and submitted to the General Shareholders' Meeting;
- Drafting the report of its activities performed during the year 2017;
- Analysis and issuance of a reflection on the Corporate Governance system adopted by EDPR;
- Proposing to the Board of Directors the submission of the proposal to the Shareholder's Meeting of the appointment by co-option of Duarte Bello and Miguel Ángel Prado as new members of the Board of Directors due to the vacant positions;
- Proposing the appointment of Duarte Bello and Miguel Ángel Prado as Members of the Executive Committee of EDPR;
- Reflection about the rotation and re-assignment of the competences between the Officers;
- Considering the increased importance of Offshore Wind business, propose to appoint João Paulo Costeira as the Chief Operating Officer Offshore ("COO Offshore") and Chief Development Officer ("CDO") of EDPR;
- Reflection and approval of the contractual conditions of the new appointments, including the proposal for Complementary Long Term Programs for the positions of COO NA and COO Offshore in accordance with the market conditions and the strategic long term targets of the Company.

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RELATED-PARTY TRANSACTIONS COMMITTEE

COMPOSITION

Pursuant to Article 30 of the Articles of Association, the Board of Directors may set up other committees, such as the Related-Party Transactions Committee. This committee shall consist of no fewer than three (3) members the majority of whom must be independent. Currently, the Related-Party Transactions committee consists of three (3) independent members plus the Secretary.

Members of the Related-Party Transactions Committee shall be considered independent if they can perform their duties without being conditioned by their relations with EDPR, its majority shareholders or its Directors, and where appropriate, meet the other requirements of the applicable legislation.

As of December 31st, 2017, the members of this Committee are:

- José Ferreira Machado, who is the Chairman
- Acácio Jaime Liberado Mota Piloto
- Francisca Guedes de Oliveira

Additionally, Emilio García-Conde Noriega is the Secretary of the Related-Party Transactions Committee.

The committee members shall maintain their positions for as long as they are Company Directors. Nevertheless, the Board may decide to discharge members of the committee at any time and the members may resign these positions while, still remaining Company Directors.

COMPETENCES

The Related Party Transactions Committee is a permanent body belonging to the Board of Directors that performs the following duties, without prejudice, to others that the Board may assign to it:

- Periodically reporting to the Board of Directors on the commercial and legal relations between EDPR or related entities and EDP or related entities;
- In connection with the approval of the Company's annual results, reporting on the commercial and legal relations between the EDPR Group and the EDP Group and the transactions between related entities during the fiscal year in question;
- Ratifying the transactions executed between EDPR and/or related entities, and EDP and/or related entities by the stipulated deadline in each case, provided that the value of the transaction exceeds EUR 5,000,000 or represents 0.3% of the consolidated annual income of the EDPR Group for the previous fiscal year;
- Ratifying any modification of the Framework Agreement signed by EDPR and EDP on May 7th 2008;
- Making recommendations to the Board of Directors of the Company or its Executive Committee regarding the transactions between EDPR and related entities with EDP and related entities;
- Asking EDP for access to the information needed to perform its duties;
- Ratifying, in the correspondent term according to the necessities of each specific case, the transactions between Qualifying Holdings other than EDP with entities from the EDP Renováveis Group whose annual value is superior to EUR 1,000,000;
- Ratifying, in the corresponding terms according to the necessities of each specific case, the transactions between Board Members, "Key Employees" and/or family members with entities from EDP Renováveis Group whose annual value is superior to EUR 75,000.

In case the Related Party Transactions Committee does not ratify the commercial or legal relations between EDP or its related entities and EDP Renováveis and its related entities, as well as those related with Qualifying Holders other than EDP, Board Members, "Key Employees" and/or their relatives, such relations must be approved by 2/3 of the members



of the Board of Directors as long as half of the members proposed by entities different from EDP, including independent Directors, vote favourably, except when a majority of members expresses its approval prior to submitting the matter to the Related Party Transactions Committee for its approval.

The terms of the bullet points above shall not apply to transactions between EDP or its related entities and EDPR or its related entities carried out under standardized conditions, and are applied equally to different related entities of EDP and EDPR, even standardized price conditions.

FUNCTIONING

In addition to the Articles of Association, the Related-Party Transactions Committee is governed by its regulations approved on June 4th 2008 and amended on February 28th 2012. The committee's regulations are available at the Company's website (www.edprenovaveis.com).

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting. Decisions shall be adopted by majority. The Chairman shall have the casting vote in the event of a tie.

2017 ACTIVITY

In 2017, the Related Party Transactions Committee revised, approved and proposed to the Board of Directors the approval of all agreements and contracts between related parties submitted to its consideration.

Chapter E – I, topic 90, of this report includes a description of the fundamental aspects of the agreements and contracts between related parties.

III. SUPERVISION

A. COMPOSITION

30. SUPERVISORY BOARD MODEL ADOPTED

EDPR's governance model, as long as it is compatible with its personal law (Spanish law), corresponds to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility of an Audit and Control Committee.

31. COMPOSITION OF THE AUDIT AND CONTROL COMMITTEE

Composition of Audit and Control Committee is reflected on topic 29. The dates of first appointment as members of the Audit and Control Committee are the following:

| MEMBER | POSITION | FIRST APPOINTMENT DATE |
|-----------------------------|----------|------------------------|
| Jorge Santos | Chairman | 03/05/2011 |
| João Manuel de Mello Franco | Vocal | 04/06/2008 |
| João Lopes Raimundo | Vocal | 11/04/2011 |

32. INDEPENDENCE OF THE MEMBERS OF THE AUDIT AND CONTROL COMMITTEE

Information concerning the independence of the members of the Audit and Control Committee is available on the chart of topic 18 of the report. As mentioned on the first paragraph of topic 18, the independence of the members of the Board and of its Committees is evaluated according to the Company's personal law, the Spanish law.

33. PROFESSIONAL QUALIFICATIONS AND BIOGRAPHIES OF THE MEMBERS OF THE AUDIT AND CONTROL COMMITTEE

Professional qualifications of each member of the Audit and Control Committee and other important curricular information, are available in the Annex of this report.

B. FUNCTIONING

34. AUDIT AND CONTROL COMMITTEE REGULATIONS

The Audit and Control Committee regulations are available at the Company's website (www.edprenovaveis.com) and at the Company's Headquarters at Plaza de la Gesta, 2, Oviedo, Spain.

35. NUMBER OF MEETINGS HELD BY THE AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee held eight (8) formal meetings and several follow up meetings along 2017.

On June 14th, 2017, Jorge Santos and João Melo Franco attended the meeting of the Risk Committee where it was discussed the report about the "US market basis risk & unwind of Brazilian regulated PPAs" and on June 29th, 2017, João Melo Franco also attended to the Directors meeting ("Encuentro de Consejeros") convened by the "Instituto de Auditores Internos de España" where there were discussed matters as the technical guidelines applicable to the Audit Committees of Public Interest Entities, cybersecurity for Directors or corporate criminal liability.

In 2017, Jorge Santos and João Melo Franco also met the Committee in charge of the Finance issues of EDP Group and KMPG to discuss the main conclusions about the Company results.

The table below shows the attendance percentage to the meetings of the Audit and Control Committee. During the year 2017 none of the members delegated their votes in other member.

| MEMBER | POSITION | ATTENDANCE |
|-----------------------------|-----------------|-------------------|
| Jorge Santos | Chairman | 100% |
| João Manuel de Mello Franco | Vocal | 100% |
| João Lopes Raimundo | Vocal | 100% |

36. AVAILABILITY OF THE MEMBERS OF THE AUDIT AND CONTROL COMMITTEE

The members of the Audit and Control Committee are fully available for the performance of their duties having no constraints for the execution of this function simultaneously with positions in other companies. The positions held simultaneously in other companies inside and outside the Group and other relevant activities undertaken by members of this Committee throughout the financial year are listed in the Annex of this report.



C. POWERS AND DUTIES

37. PROCEDURES FOR HIRING ADDITIONAL SERVICES TO THE EXTERNAL AUDITOR

In EDPR there is a policy of pre-approval by the Audit and Control Committee for the selection of the External Auditor and any related entity for non-audit services, according to Recommendation IV.2 of the Portuguese Corporate Governance Code. This policy was strictly followed during 2017.

The non-audit services provided by the External Auditor and entities in a holding relationship with or incorporated in the same network as the External Auditor were previously approved by the Audit and Control Committee according to Article 8.2, b) of its Regulations and upon review of each specific service, which considered the following aspects: (i) such services having no effect on the independence of the External Auditor and any safeguards used; and (ii) the position of the External Auditor in the provision of such services, notably the External Auditor's experience and knowledge of the Company.

Furthermore, although hiring services other than auditing services to the External Auditor is admissible, it is envisaged as an exception. In 2017 such services reached only around 14.5% of the total amount of services provided to the Company.

38. OTHER DUTIES OF THE AUDIT AND CONTROL COMMITTEE

Apart from the competences expressly delegated on the Audit and Control Committee according to Article 8 of its Regulations and in order to safeguard the independence of the External Auditor, the following powers of the Audit and Control Committee were exercised during the 2017 financial year and should be highlighted:

- Proposal of re- election and hiring of the External Auditor and responsibility for establishing their remuneration as well as pre-approval of any services to be hired from the External Auditor and perform its direct and exclusive supervision;
- Assessment of the qualifications, independence, and performance of the External Auditors, and obtaining, yearly and directly from the External Auditors, written information on all relations existing between the Company and the Auditors or associated persons, including all services rendered and all services in progress. In order to evaluate independence, the Audit Committee, obtained the information regarding External Auditors' independence in light of the Spanish Law no. 22/2015 of July 20th, 2015 ("Ley de Auditoría de Cuentas");
- Review of the transparency report, signed by the Auditor and disclosed at its website. This report covers the matters provided for under Law no. 22/2015 of July 20th, 2015 ("Ley de Auditoría de Cuentas"); , including those regarding the quality control internal system of the audit firm and the quality control procedures carried out by the competent authorities;
- Definition of the Company's hiring policy concerning persons who have worked or currently work with the External Auditors;
- Review with the External Auditors their scope, planning, and resources to be used in their provision of services;
- Responsibility for the settlement of any differences between the Executive Committee and the External Auditors concerning financial information;
- Contracts signed between EDPR and its Qualified Shareholders that were analysed by the Audit and Control Committee. This information is included on the annual report of the Audit and Control Committee regarding those cases that needed a previous opinion from the committee.

Within this context, it should be particularly stressed that the External Auditor's independence was safeguarded by the implementation of the Company's policy for the pre-approval of the services to be hired to External Auditors (or any entity in a holding relationship with or incorporating the same network as the External Auditors), which results from the application of the rules issued by the European Union on this matter. According to such policy, the Audit and Control Committee makes an overall pre-approval of the services proposal made by the External Auditors and a specific pre-approval of other services that will eventually be provided by the External Auditors, particularly, tax consultancy services and services other than "audit and audit related" services.

IV-V. STATUTORY AND EXTERNAL AUDITORS

39-41.

According to the Spanish law, the External Auditor (“Auditor de Cuentas”) is appointed by the General Shareholders’ Meeting and corresponds to the statutory auditor body (“Revisor Oficial de Contas”) described on the Portuguese Law. Consequently, the information about the External Auditor is available on chapter V of the report, points 42 to 47.

42. EXTERNAL AUDITOR IDENTIFICATION

EDPR’s External Auditor is, since 2007, KPMG Auditores S.L., a Spanish Company whose partner in charge of accounts auditing is, currently and since January 2014, Estibaliz Bilbao. KPMG Auditores S.L. is registered at the Spanish Official Register of Auditors under number S0702 and with Tax Identification Number B-78510153.

43. NUMBER OF YEARS OF THE EXTERNAL AUDITOR

KPMG Auditores S.L. is in charge of EDPR’s accounts auditing, having been performing these duties during ten (10) consecutive years from the date EDPR became Public Interest Entity.

44. ROTATION POLICY

According to the personal Law of EDPR -the Spanish Law- amended in 2015, the maximum term for an auditing firm is established in a 10-year term from the date the company is declared as a “Public Interest Entity”.

In the case of EDPR, this date is when the IPO was launched in 2008. On December 31st 2017, KPMG Auditores S.L. has ended its last consecutive year as EDPR’s External Auditor from the date that it became Public Interest Entity. Consequently it is foreseen that the Company External Auditor will rotate at the next General Shareholders’ Meeting.

45. EXTERNAL AUDITOR EVALUATION

The Audit and Control Committee is responsible for the evaluation of the External Auditor according to the competences granted by its Regulations. The evaluation of the Audit and Control Committee is made annually. The Audit and Control Committee acts as the company speaker for the relevant matters with the External Auditor and with whom establishes a permanent contact throughout the year to assure the conditions, including the independence, adequate to the services provided by them related to the auditing process, and receiving and maintaining information on any other questions regarding accounting subjects. In 2017, according to the Audit and Control Committee’s competences and in line with Recommendation II.2.2, it was the first and direct recipient and the corporate body in charge of the permanent contact with the external auditor on matters that may pose a risk to their independence and any other matters related to the auditing of accounts. It also receives and stores information on any other matters provided for in legislation on audits and in auditing standards in effect at any time. The External Auditor within the scope of its duties, verified the implementation of the remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the Company.

46. NON-AUDIT SERVICES CARRIED OUT BY THE EXTERNAL AUDITOR

According to the rules described on topic 29 of this Report, in EDPR there is a policy of pre-approval by the Audit and Control Committee for the selection non-audit services according to Article 8.2, b) of the Audit and Control Committee Regulations.

During 2017 the non-audit services provided by the External Auditor for EDPR’s business units consisted mostly on i) quarterly review of the Spanish and Portuguese companies’ financial statements which is considered a non-audit service according to the respective local regulations; ii) review of the internal control system on financial reporting for the EDPR



Group iii); review of the non-financial information related to sustainability included in the EDPR Group's annual report; and iv) agreed upon procedures requested by non-controlling interests and by financial institutions in order to obtain certified assurance over certain financial information.

KPMG was engaged to provide the above-mentioned services due to its in-depth knowledge of the Group's activities and processes. These engagements did not risk the independence of the External Auditor and were pre-approved by the Audit and Control Committee prior to rendering the services.

47. EXTERNAL AUDITOR REMUNERATION IN 2017

| TYPE OF SERVICES (€) | PORTUGAL | SPAIN | BRAZIL | US | OTHER | TOTAL | % |
|---|----------------|-----------------|----------------|----------------|----------------|------------------|--------------|
| Statutory audit | 237,648 | 374,068 | 149,846 | 942,806 | 863,217 | 2,567,585 | 85% |
| Other audit related services | - | 10,915 | - | - | 4,427 | 15,342 | 0.5% |
| Total audit related services | 237,648 | 384,983 | 149,846 | 942,806 | 867,644 | 2,582,927 | 86% |
| Tax consultancy services | - | - | - | - | - | - | 0.0% |
| Other services un related to statutory auditing | 24,154 | 407,257 | - | 6,442 | - | 437,853 | 14.5% |
| Total non-audit related services | 24,154 | 407,257* | - | 6,442 | - | 437,853 | 14.5% |
| Total | 261,802 | 792,240 | 149,846 | 949,248 | 867,644 | 3,020,780 | 100% |

*This amount includes, between others, services that refer to the entire Group such as the review of the internal control system on financial reporting and review of the non-financial information related to sustainability included in the EDPR Group's annual report, which are invoiced to a Spanish company. Variation with respect to the previous year mainly refer to the mentioned review of the internal control system on financial reporting and to the quarterly review of the Spanish and Portuguese companies' financial statements which are considered non-audit services according to the respective local regulations.

C. INTERNAL ORGANIZATION

I. ARTICLES OF ASSOCIATION

48. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the Articles of Association of the Company are of the responsibility of the General Shareholders' Meeting who has the power to decide on this matter. According to Article 17 of the Company's Articles of Association ("Constitution of the General Shareholders' Meeting, Adoption of resolutions"), to validly approve any necessary amendment to the Articles of Association, the Ordinary or Extraordinary Shareholders' Meeting will need:

- On first call, that the Shareholders either present or represented by proxy, represent at least fifty percent (50%) of the subscribed voting capital.
- On second call, that the Shareholders either present or represented by proxy, represent at least twenty-five percent (25%) of the subscribed voting capital.

In the event that the shareholders attending represent more than fifty percent (50%) of the subscribed voting capital, the resolutions referred to in the present paragraph will be validly adopted when reached absolute majority. If the shareholders attending represent between twenty-five percent (25%) and fifty percent (50%) – but without reaching it – the favourable vote of two-thirds (2/3) of the present or represented capital in the General Shareholders' Meeting will be required in order to validly approve these resolutions.

II. REPORTING OF IRREGULARITIES

49. IRREGULARITIES COMMUNICATION CHANNELS

WHISTLEBLOWING

EDPR 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.

On this basis, EDPR provides the Group workers with a channel enabling them to report directly and confidentially to the Audit and Control Committee any practice presumed illicit or any alleged accounting and/or financial irregularity in their Company, in compliance with the provisions of CMVM Regulation no. 4/2013.

With this channel for reporting irregular accounting and financial practices, EDPR aims to:

- Guarantee conditions that allow workers to freely report any concerns they may have in these areas to the Audit and Control Committee;
- Facilitate the early detection of irregular situations, which, if practiced, might cause serious damage to the EDPR Group, its workers, customers and shareholders.

Contact with the Company's Audit and Control Committee is only possible by email and post, and access to information received is restricted.

Any complaint addressed to the Audit and Control Committee will be kept strictly confidential and the whistle-blower will remain anonymous, provided that this does not prevent the investigation of the complaint. He/she will be assured that the Company will not take any retaliatory or disciplinary action as a result of exercising his/her right to blow the whistle on irregularities, provide information, or assist in an investigation. The process and functioning rules of this channel are explained in the Welcome Presentation organized every year for the new hires of EDPR and also published on the intranet and website of the Company.

The Secretary of the Audit and Control Committee receives all the communications and presents a quarterly report to the members of the Committee.

In 2017 there were no communications regarding any irregularity at EDPR.

ETHICS CHANNEL AND CODE OF ETHICS

EDPR has a Code of Ethics published on its intranet and its website, which includes principles like transparency, honesty, integrity, non-discrimination, equal opportunity, and sustainability.

The Code of Ethics has been widely circulated among employees of the Group through internal communications mechanisms, individual shipments, delivery to new employees, and intranet publishing. The Code of Ethics is also attached to the labour agreements of the new hires to their written acknowledgement when they join the Company. Likewise, in the Welcome Presentation organized every year for the new hires of EDPR, they are explained the main contents of this document and its bylaws, as well as the Ethics Channel existence and functioning.

There is a strong commitment by the Company in relation to the dissemination and promotion of compliance with the Code available to all employees through training, questionnaires, and open discussions of the findings. To this extent, from March to December 2016, EDP offered an online Ethics training ("Ética EDP") available to all employees of both Europe/Brazil and North America platforms. This course achieved a major participation of around 900 EDPR employees. This type of training will be performed periodically.



There is also an Ethics Channel and Ethics Regulation to articulate any specific claims of the Code of Ethics and to resolve doubts on all matters relating to the Code of Ethics.

Communications regarding possible breaches of the Code of Ethics are sent to the Ethics Ombudsman, who performs a first analysis, forwarding its conclusions to the Ethics Committee of EDPR, which receives, records, processes, and reports it to the Board of Directors.

In 2017 there was one (1) communication to the Ethics Ombudsman through the Ethics Channel. However, it was decided to reject this claim as it was not considered as an issue related to the Ethics Code.

ANTI-CORRUPTION POLICY

In order to ensure compliance with the standards of Anti-Corruption Regulation in every geography where EDPR operates, the Company developed in 2014 an Anti-Bribery Policy of application to all EDPR Group, which was approved by its Board of Directors on December 19th 2014, and updated in 2017. This Anti-Corruption Policy implies a series of procedures regarding the relationships of EDPR employees with external parties, namely the approval of certain actions regarding hospitality to and from external parties, charitable donations, and sponsorships. This Policy was implemented in the Group in 2015, through the introduction of several approval systems in the corporate's employee channels in order to ensure transparency and prevent any corrupt business practice, and was communicated to all EDPR employees. Once this implementation was finished, the corresponding training sessions were organized for part of our employees, and made available in the intranet, in order to ensure appropriate knowledge and understanding of the Policy.

The Anti-Corruption Policy is available at the Company's website (www.edprenovaveis.com) and intranet, and it is also attached to the labour agreements of the new hires to their written acknowledgement when they join the Company. Likewise, in the Welcome Presentation organized every year for the new hires of EDPR, they are also explained the main contents of this documents and its functioning.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. INTERNAL AUDIT

EDPR's Internal Audit Department is composed by eight (8) members. The function of EDPR's Internal Audit is to carry out an objective and independent assessment of the Group's activities and of its internal control situation, in order to make recommendations to improve the internal control mechanisms over systems and management processes in accordance with the Group's objectives.

Additionally, EDPR has a Responsibilities Model and a SCIRF Manual (Internal Control System over Financial Reporting), in which individuals, governing bodies and committees responsible for implementing and managing the internal control system are indicated.

The Responsibilities Model includes the functions and main activities in the management and maintenance of the system at all levels of the organization including monitoring activities related to the annual cycle, the implementation of controls and documentation of evidence and supervision activities.

The SCIRF Manual incorporates the general principles of the Internal Control System over Financial Reporting as well as the methodology used, the procedures for ensuring the effectiveness of internal control and design of models, documentation, evaluation and reporting.

In line with the general principles of the model adopted by EDPR for the management of the SCIRF, the COSO Internal Control integrated Framework 2013 (Committee of Sponsoring Organizations of the Treadway Commission), the responsibility for supervising the Internal Control System lies in the Board of Directors and the Audit and Control Committee. The CEO is accountable before the Board and must ensure the proper functioning and effectiveness of the

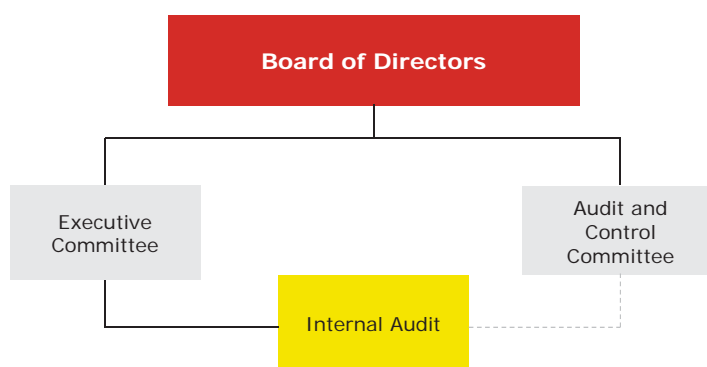
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SCIRF, promoting its design, implementation and maintenance. The Executive Committee must support the CEO in this task, guiding the development of the Entity Level Controls of the Company and the controls in their areas of responsibility, relying when necessary on other levels of the organization. Also, the Senior Managers are responsible for evaluating any deficiencies and implementing appropriate improvement opportunities.

To fulfil these responsibilities, EDPR's Internal Audit offers support and advice for the management and development of the SCIRF.

51. ORGANIZATIONAL STRUCTURE OF INTERNAL AUDIT

The Internal Audit function in EDPR Group is a corporate function carried out by the Internal Audit Department, which reports both to the Chairman of EDPR's Executive Committee and to EDPR's Audit and Control Committee.



52. RISK MANAGEMENT

EDPR's Enterprise Risk Management Process is an integrated and transversal management model that ensures the minimization of the effects of risk on EDPR's capital and earnings, as well as the implementation of best practices of Corporate Governance and transparency. The process aligns EDPR's risk exposure with the company's desired risk profile.

The process is closely followed and supervised by the Audit and Control Committee, an independent supervisory body composed of non-executive members.

Market, counterparty, operational, business and strategic risks are identified and assessed and, following the result of the assessment, Risk Policies are defined and implemented across the company. These policies are aimed to mitigate risks without compromising potential opportunities, thus, optimizing return versus risk exposure.

During 2017, EDPR reassessed Operational Risk for the company, executing a bottom-up analysis across all departments, as stated in EDPR's Operational Risk Policy.

53. RISK MAP

Risk Management at EDPR is focused on covering all risks of the company. In order to have a holistic view of risks, they are grouped in Risk Categories, which are Market, Counterparty, Operational, Business and Strategic. The definition of Risk Categories at EDPR is as follows:

1. Market Risk – It refers to the risk to EDPR resulting from movements in market prices. Due to the relationship between wind production and electricity price, production risk is considered within market risk. In particular, market risk are changes in electricity prices, production risk, interest rates, foreign exchange rates and other commodity prices;



2. Counterparty Risk (credit and operational) – Risk that counterparty to a transaction could default before final settlement of the transaction's cash flows. A direct economic loss would occur if transactions with the counterparty had positive economic value at the time of default. Even in the case of not defaulting, it may not comply with its contract obligations (timing, quality, etc.), implying additional higher costs due to its replacement or to delays in fulfilling the contract;

3. Operational Risk (other than counterparty) – Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (such as an increase in equipment default rates, increasing O&M, or natural disasters);

4. Business Risk – Potential loss in the company's earnings due to adverse changes in business margins. Such losses can result above all from a serious increase in equipment prices or changes in the regulatory environment. Changes in electricity prices and production are considered market risks;

5. Strategic Risk – It refers to risks coming from macroeconomic, political, social or environmental situation in countries where EDPR is present, as well as those coming from a change in competitive landscape, from technology disruptions, from changes in energy markets or from governance decisions (investment decisions criteria, Corporate Governance and Reputational issues).

Within each Risk Category, risks are classified in Risk Groups.

1. Market Risk

1. i) Electricity price risk

EDPR faces limited electricity price risk as it pursues a strategy of being present in countries or regions with long-term visibility on revenues. In most countries where EDPR is present, prices are determined through regulated framework mechanisms. In those countries with no regulated tariffs, power purchase agreements are negotiated with different off takers to eliminate electricity and Green Certificate or Renewable Energy Credit (REC) price risks.

Despite EDPR's strategy of eliminating market price risk, EDPR still has some plants with merchant exposure.

In Europe, EDPR operates in countries where the selling price is defined by a feed-in-tariff (Portugal, France and Italy) or in markets where, on top of the electricity price, EDPR receives either a pre-defined regulated premium or a green certificate, whose price is achieved on a regulated market (Spain, Belgium, Poland and Romania). EDPR is also developing investment activity in the UK, where current incentive system is based on green certificates but will change to a feed in tariff.

In countries with a pre-defined regulated premium or a green certificate scheme, EDPR is exposed to electricity price fluctuations. Considering current Power Purchase Agreements (PPAs) in place, EDPR is exposed to electricity price risk in Romania, in Poland and partially in Spain. Additionally, in European countries with a green certificate scheme (Romania and Poland), EDPR is exposed to fluctuation on the price of green certificates.

The US market does not provide a regulated framework system for the electricity price. Nevertheless, renewable generation is incentivized through PTCs (Production Tax Credits) and regional Renewable Portfolio Standard (RPS) programs that allow receiving RECs for each MWh of renewable generation. REC prices are very volatile and depend on the regional supply/demand equilibrium in the relevant market.

Most of EDPR's capacity in the US has predefined prices determined by bundled (electricity + REC) long-term contracts with local utilities in line with the Company's policy of avoiding electricity price risk. Despite existing long term contracts, some EDPR's plants in the US do not have PPA and are selling merchant with exposure to electricity and REC prices. Additionally, some plants with existing PPAs do not sell their energy where it is produced and are therefore exposed to basis risk (difference in price between the location where energy is produced and that where energy is sold).

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In Ontario (Canada), the selling price is defined by a long-term feed-in-tariff, thus, there is no electricity price exposure.

In Brazilian operations, the selling price is defined through a public auction which is later translated into a long-term contract. Electricity price exposure is almost null, with little exposure for the production above or below the contracted production.

Under EDPR's global approach to minimize the exposure to market electricity prices, the Company evaluates on a permanent basis, if there are any deviations to the pre-defined limits (measured through EBITDA at risk, Net Income at risk and total merchant exposure).

EDPR intends to eliminate Green Certificates and REC price risk with the signing of bundled PPAs with private off takers, which include the sale of the electricity and the Green Certificate or REC. In some cases, the offtake may be interested in contracting only the Green Certificate or the REC, thus a GCPA (Green Certificate Purchase Agreement) or a RECPA (REC Purchase Agreement) is signed. During 2017, EDPR signed new long-term PPAs in the US for 774 MW.

In those geographies with remaining merchant exposure, EDPR uses various commodity-hedging instruments in order to minimize the exposure to fluctuating market prices. In some cases, due to the lack of liquidity of financial derivatives, it may not be possible to successfully hedge all existing merchant exposure, after considering PPAs in place.

In 2017 EDPR financially hedged most of its remaining merchant exposure in Poland, Romania, Spain and the US.

As aforementioned, some US plants have exposure to REC price risk and/or basis risk (difference in electricity price between locations). EDPR hedges REC prices through forward sales and basis exposures through financial swaps or FTR (Financial Transmission Rights).

1. ii) Energy Production Risk

The amount of electricity generated by EDPR's renewable plants is dependent on weather conditions, which vary across locations, from season to season and from year to year. Variation on the amount of electricity that is generated affects EDPR's operating results and efficiency.

Not only the total wind or solar production in a specific location is relevant, but also the profile of production. Wind usually blows more at night than at daytime, when energy prices are lower and the opposite for solar. Generation profile will affect the discount or add-on in price of a plant versus a baseload generation.

Finally, curtailment of a plant will also affect its production. Curtailment occurs when the production of a plant is stopped by the TSO (Transmission System Operators) for external reasons to the Company. Examples of cases of curtailment are upgrades in transmission lines or exceptional congestion (high level of electricity generation for available transmission capacity).

EDPR mitigates wind and solar resource volatility and seasonality through geographical diversification of its asset base in different countries and regions.

EDPR acknowledges the correlation between different plants in its portfolio that allows for this geographical diversification, which enables EDPR to partially offset production variations in each region and to keep the total energy generation relatively steady. Currently, EDPR is present in 12 countries: Spain, Portugal, France, Belgium, Poland, Romania, UK (no generation), Italy, US, Canada, Brazil and Mexico.

EDPR has analyzed the potential use of financial products to hedge wind risk and might use this product to mitigate risk in specific cases.

Profile risk and curtailment risk are managed ex-ante. For every new investment, EDPR factors the effect that expected generation profile and curtailment will have on the output of the plant. Generation profile and curtailment of EDPR's plants are constantly monitored by EDPR's Risk department to detect potential future changes.



1. iii) Risks related to financial markets

EDPR finances its plants through project finance or corporate debt. In both cases, a variable interest rate might imply significant fluctuations in interest payments.

On the other hand, due to EDPR's presence in several countries, revenues are denominated in different currencies. Consequently, exchange rate fluctuations may have a material adverse effect on financial results or on the value of the foreign investment.

1. iii) a) Interest rate risk

Given the policies adopted by EDPR Group, current exposure to variable interest rate is not significant and financial cash flows are substantially independent from the fluctuation of interest rates.

The purpose of interest rate risk management policies is to reduce the exposure of long-term debt cash flows to market fluctuations, mainly by contracting long term debt with a fixed rate.

- When long-term debt is issued with floating rates, EDPR settles derivative financial instruments to swap from floating to fixed rate.
- EDPR has a portfolio of interest-rate derivatives with maturities of up to 13 years. Sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations are periodically performed.

With most of interest rate being fixed, main exposure to interest rates arises at refinancing. To protect against this risk, EDPR intends to maintain a balanced maturity profile for its corporate fixed debt, thus, diversifying the risk of bad timing when refinancing occurs.

Repricing calendar of debt is continuously monitored together with interest rates in order to detect good timing for restructuring debt.

Taking into account risk management policy and approved exposure limits, Global Risk Area supports the Finance team in interest rate hedging decisions and the Finance team submits the financial strategy appropriate to each project/location for Executive Committee's approval.

1. iii) b) Exchange rate risk

EDPR has international operations and is exposed to the exchange-rate risk resulting from investments in foreign subsidiaries. Currency exposure in operating plants is to U.S. dollar, Romanian leu, Polish zloty, Brazilian real, British pound and Canadian dollar.

EDPR hedges risk against currency fluctuations by financing in the same currency as the revenues of the project. When local financing is not available, EDPR hedges debt cash flows through cross currency interest rate swaps.

EDPR also hedges net investment (investment after deducting local debt) in foreign currency through cross currency interest rate swaps.

Finally, EDPR contracts foreign exchange forwards to hedge the risk in specific transactions, mainly in payments to suppliers which may be denominated in different currencies.

EDPR's hedging efforts minimize exchange rate volatility, but do not eliminate completely this risk due to high costs associated to hedging FX in certain situations.

1. iii) c) Inflation risk

In specific projects, regulated remuneration is linked to inflation. Additionally, O&M costs are considered to be linked to inflation in most cases.

Exposure to inflation in revenues may be naturally hedged with exposure to interest rates and EDPR regularly analyses inflation exposure and its relationship with interest rates to adjust level of interest rate coverage in project finance structures.

Exposure to inflation in O&M costs is managed at the moment of the investment decisions, by executing sensitivity analyses.

1. iii) d) Liquidity risk

Liquidity risk is the risk of EDPR not meeting its financial obligations. Liquidity risk is mainly related to extreme market movements in electricity prices, interest or exchange rates, which may change the expected cash flow generation.

EDPR tracks liquidity risk in the short term (margin calls, etc) and in the long term (financing sources) in order to meet strategic targets previously set (EBITDA, debt ratio and others).

EDPR's strategy to manage liquidity risk is to ensure that its liquidity is sufficient to meet financial liabilities when due, under both normal and stressed conditions, and without incurring unacceptable losses or risking damage to EDPR's reputation.

Different funding sources are used such as Tax Equity investors, multilateral organizations, project finance, corporate debt and asset rotation in order to ensure long-term liquidity to finance planned projects and working capital.

1. iv) Commodity price risk (other than electricity)

In projects in which there is a significant number of years between investment decision and start of construction, EDPR may be exposed to the price of the materials used in turbine manufacturing, foundations and interconnection through escalation formulae included in the contracts with suppliers.

In order to manage this risk, EDPR may hedge the market exposure in OTC/future commodity markets, considering the risks (potential losses) and the cost of the hedge.

2. Counterparty Risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss could occur, either a direct economic loss if the transaction has a positive value at the moment of default (counterparty credit risk) or a replacement cost due to change of the counterparty (counterparty operational risk).

2. i) Counterparty Credit Risk

If the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default, an economic loss would occur.

To control credit risk at EDPR, thresholds of Expected Loss and Unexpected Loss are established at company level as defined under Basel Standards and re-evaluated monthly. If the threshold is surpassed by the company as a whole, mitigation measures are implemented in order to remain within the pre-established limit.

Additionally, Expected Loss limits are established for each individual counterparty or Group of counterparties (parent and subsidiaries).



2. ii) Counterparty Operational Risk

If the transactions or portfolio of transactions with the counterparty do not have a positive economic value at the time of default, it will impact operations. Despite no direct loss at the time of default, the replacement of the counterparty could imply a cost to EDPR due to potential delays, higher contract value with a new counterparty (replacement costs), etc.

Construction and O&M subcontractors are counterparties to which EDPR is exposed from an operational point of view.

To minimize the probability of incurring in potential replacement costs with counterparties, EDPR's policy concerning counterparty operational risk is managed by an analysis of the technical capacity, competitiveness, credit quality and replacement cost of the counterparty.

3. Operational Risk

3. i) Development Risk

Renewable plants are subject to strict regulations at different authority levels (international, national, state, regional and local) relating to the development, construction, grid interconnection and operation of power plants. Among other things, these laws regulate landscape and environmental aspects, building licenses, land use and land securing and access to the grid issues.

While level of exigency might be different depending on the geographies, EDPR acknowledges a trend for legislations to align towards concentrating the most restrictive rules and development risks on the consenting (environmental and urban permissions) and interconnection (electricity connection of the plant to the national grid).

In this context, EDPR's experience gathered in different countries is useful to anticipate and deal with similar situations in other countries.

During the development and design phase, EDPR focuses on the optimization of its projects. By mastering the variables, such as choice of locations, layout, etc, the objective is to make our projects more resilient to permitting risks.

Additionally, EDPR mitigates development risk by generating optionality, with development activities in 12 different countries (Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada, Brazil and Mexico) and a portfolio of projects in several stages of maturity. EDPR has a large pipeline of projects that provide a "buffer" to overcome potential delays in the development of prioritized projects, ensuring growth targets and being able to compensate permitting delays in some geographies.

3. ii) Execution Risk

During the construction of the foundations, interconnection and substation of a plant, and the installation of the equipment, different events (bad weather, accidents, etc) might occur that could imply an over cost or a delay in the commercial operation date of the plant:

- The delay implies a postponement of cash flows, affecting profitability of the investment.
- When a plant has a PPA, a delay of the commercial operation date might imply the payment of LDs, with the consequent loss of revenues and the impact on annual financial results.

During the design phase, EDPR engineering teams supervise the engineering and the installation method. Construction is subcontracted to technically capable construction companies.

In both cases, a critical path analysis is performed to assess the reliability of construction and installation plan. Also, collaterals may be required to the counterparty following EDPR's Counterparty Risk Policy.

3. iii) Operation Risk

Damage to Physical Assets

Renewable plants in construction and in operation are exposed to weather hazards, natural disasters, etc. These risks depend on the location.

All plants are insured the physical damage during construction and operation. During operation, any natural disaster, weather hazard or accident will be partially insured to revenue losses due to the event.

Equipment Performance Risk (O&M costs)

Output from renewable plants depends upon the operating availability of the equipment.

EDPR mitigates this risk by using a mix of suppliers which minimizes technological risk, avoiding exposure to a unique manufacturer.

EDPR also engages suppliers through medium-term full-scope maintenance agreements during the first years of operation to ensure alignment with supplier in minimizing technology risk.

Finally, for older plants, EDPR has created an Operation and Maintenance (O&M) program with an adequate preventive and scheduled maintenance program. EDPR externalizes non-core technical O&M activities of its renewable plants, while primary and value added activities continue to be controlled by EDPR.

3. iv) Information Technology

IT (Information Technologies) risk may occur in the technical network (information network for plants operation) or in the office network (information network of corporate services: ERP, accounting...)

EDPR mitigates this risk creating redundancy of servers and control centers of renewable plants. Redundancy is created in a different location to anticipate potential natural disasters, etc.

3. v) Legal claims (compliance)

EDPR faces potential claims of third parties and fraud of its employees.

EDPR aims strict compliance with existing regulation and has zero tolerance to fraud. EDPR revises periodically its compliance with all the regulations that affects its activity (environmental, taxes...)

3. vi) Personnel

EDPR identifies two main risk factors regarding personnel: turnover and health and safety.

- Turnover: Cost of replacing an employee. A high turnover implies direct costs of replacement and indirect costs of knowledge loss.
- Health and safety: Likelihood that a person may be harmed or suffers adverse health effects if exposed to a hazard.

EDPR mitigates turnover through constant reassessment and benchmarking of remuneration schemes in different geographies. Additionally, EDPR offers flexibility to its employees to improve work life balance. In 2017, EDPR was elected as "Great Place to Work" in Spain.

EDPR aims zero-accidents at work by constantly training in health and safety issues and certifying its facilities according to the OHSAS 18001 standard.



3. vii) Processes

Internal processes are subject to potential human errors that may negatively affect the outcome.

Internal Audit Department regularly reviews internal processes and recommends the establishment of new controls or the improvement in the implementation of existing procedures.

4. Business Risk

4. i) Regulatory Risk (renewables)

The development and profitability of renewable energy projects are subject to policies and regulatory frameworks. The jurisdictions in which EDPR operates provide different types of incentives supporting energy generated from renewable sources.

Remuneration schemes have become less competitive in some countries due to the financial crisis and it cannot be guaranteed that current support will be maintained in all EDPR's geographies or that future renewable energy projects will benefit from current support measures. Regulation promoting green energy has been revised or is under revision in some of the countries where EDPR is present.

In the US, renewable generation from wind will be incentivized through Production Tax Credits (PTC) at a Federal level for all projects beginning of construction up to 2019. Level of incentives will be progressively fading out. Additionally, wind and solar production is also incentivized through State RPS Programs that allow receiving RECs (Renewable Energy Credit) for each MWh of renewable generation.

EDPR is managing its exposure to regulatory risks through diversification, by being present in several countries and through participation as an active member in several wind and solar associations.

Regulatory Risk in each of EDPR's countries is monitored continuously, considering current regulation, potential drafts of new laws, feedback from associations, evolution of installed renewable generation capacity and other inputs. EDPR has developed an internal quantitative assessment of Regulatory Risk that serves as an indicator for changes in supporting schemes. This measure is updated annually in all EDPR's geographies.

Regulatory Risk is also considered ex-ante, at the moment of the investment, through sensitivity analyses that are performed to evaluate its impact in project profitability under different scenarios.

4. ii) Equipment Market Risk

Equipment Price Risk

Price of equipment is affected, not only by market fluctuations of the materials used, but also by the demand of this equipment.

For every new project, EDPR secures the demand risk by engaging in advance with manufacturers, elected through a competitive process.

Equipment Supply Risk

The demand for new plants may offset the offer of equipment. Currently, the local component requirement in some geographies (Ex: Brazil) may create this shortfall situation.

EDPR faces limited risk to the availability and price increase of equipment due to existing framework agreements with major global suppliers. The Company uses a large mix of suppliers in order to diversify equipment supply risk.

For geographies with specific requirements of local component, EDPR does not engage in a project before securing the supply of the equipment.

5. Strategic Risk

5. i) Country Risk

Country Risk is defined as the probability of occurrence of a financial loss in a given country due to macroeconomics, political or natural disasters. EDPR has defined a Country Risk Policy that assesses country risk through an internal scoring based on publicly available data. This internal scoring is compared with external assessments from renowned organizations. Each risk factor affecting country risk is evaluated independently to decide on potential mitigating actions:

- **Macroeconomic Risk:** risks from the country's economic evolution, affecting revenue or cost time of the investments
- **Political Risk:** all possible damaging actions or factors for the business of foreign companies that emanate from any political authority, governmental body or social group in the host country
- **Natural disaster risk:** natural phenomena (seismicity, weather) that may impact negatively in the business conditions

Before approving a project in a new geography, EDPR analyses the risk of the new country and compares it to our existing portfolio. Mitigation measures may be decided when this risk is above a certain threshold.

5. ii) Competitive landscape

In the renewable business, size can be an advantage or disadvantage in specific situations. For example, in development of renewable plants, small and dynamic companies are usually more competitive than larger companies. On the other hand, when participating in tender processes for offshore wind farms, the size of the investment benefits larger companies.

Additionally, the consequences of a change in the competitive landscape due to mergers and acquisitions may also be a risk.

To mitigate the risks, EDPR has a clear knowledge of its competitive advantages and tries to leverage on them. When EDPR has no advantage versus its competitors, alternatives are considered in order to become competitive. For example, for offshore wind farms, EDPR has partnered with large companies with previous experience in large electricity generation projects, in order to become a more competitive consortium.

5. iii) Technology disruptions

Most renewables are relatively recent technologies, which are continuously evolving and improving efficiency. As such, some initially expensive technologies can become competitive in a relatively short time.

EDPR growth focuses in the most competitive renewable technologies at the moment, which are onshore wind, offshore wind and PV solar, but also participates in other innovative projects such as floating offshore wind.

5. iv) Meteorological changes

Future estimations of wind and solar production are based on analysis of historical measurements for more than 20 years, and they are considered to be representative of the future. Relevant unexpected meteorological changes could lead to a lower production than the one expected from historical data.

When evaluating a new investment, EDPR considers potential changes in the production forecasted, however, the size of the potential deviation in the case of relevant meteorological changes is uncertain.



5. v) Investment decisions criteria

Not all projects have the same risk profile. This will depend on merchant exposure of remuneration, construction risk, etc.

In order to take proper business decisions, EDPR uses Risk Adjusted Metrics for investment decisions, which take into consideration the different risks inherent of each project.

5. vi) Energy Planning

Assumptions in future evolution of energy markets affect the profitability of the investments for the period after the fixed remuneration (regulated tariff or PPAs). Structure of electricity markets in most of EDPR geographies (marginal setting price) were not designed to consider a great share of generation from renewable sources with zero marginal price. Thus, the increase in renewable generation could lead to lower pool prices in medium term if reforms of electricity markets are not properly undertaken.

When investing, EDPR performs sensitivity analyses to stress pool price scenarios for the period without fixed remuneration to understand the robustness of the profitability of the investment.

5. vii) Corporate Organization and Governance

Corporate governance systems should ensure that a company is managed in the interests of its shareholders.

In particular, EDPR has an organization in place with a special focus on transparency, where the management body (Board of Directors) is separated from the supervision and control duties (Audit and Control Committee). Members of the Audit Committee are invited to the General Risk Committee of EDPR.

5. viii) Reputational risk

Companies are exposed to public opinion and today's social networks are a rapid mean to express particular opinions. A bad reputation could eventually harm financial results of a company in the short and in the long term.

Sustainability makes part of the essence of EDPR. EDPR is not only committed in building a better future, but also in doing it well, in an ethical and sustainable manner, consequently limiting reputational risk.

54. RISK FUNCTIONS AND FRAMEWORK

A corporation can manage risks in two different ways, one risk at a time on a largely and compartmentalized basis, or all risks together within a coordinated and strategic framework. The latter approach is called "Enterprise Risk Management" and is the approach used at EDPR.

Risk Management at EDPR is supported by three distinct organizational functions, each one with a different role: Strategy (Risk Profiler), Management (Risk Manager) and Controlling (Risk Controller).

| RISK FUNCTIONS | DESCRIPTION |
|--|--|
| Strategy – General risk strategy & policy | <ul style="list-style-type: none"> Global Risk Department provides analytically supported proposals to general strategic issues Responsible for proposing guidelines and policies for risk management within the company |
| Management – Risk management & risk business decisions | <ul style="list-style-type: none"> Implement defined policies by Global Risk Responsible for day-to-day operational decisions and for related risk taking and risk mitigating positions |
| Controlling – Risk control | <ul style="list-style-type: none"> Responsible for follow-up of the results of risk taking decisions and for contrasting alignment of operations with general risk policy approved by the board |

The Risk Committee is the forum where the different Risk Functions discuss the policies to be implemented and control the risk exposure of the company. EDPR's Risk Committee integrates and coordinates all Risk Functions and assures the link between corporate's risk appetite and defined strategy and the operations of the company.

EDPR created three distinct meetings of the Risk Committee in order to separate discussions on execution of mitigation strategies from those on the definition of new policies:

- **Restricted Risk Committee:** Held every month, it is mainly focused on development risk and market risk from electricity price (market, basis, profile, GCs and RECs). It is the forum to discuss the evolution of projects under development and construction and the execution of mitigation strategies to reduce merchant exposure. It also monitors the limits of defined risk policies, with regards to counterparty risk, operational risk and country risk.
- **Financial Risk Committee:** Held every quarter, its objective is the review of the main financial risks and to discuss the execution of mitigation strategies. Exchange rate risk, interest rate risk and credit risk from financial counterparties are most relevant risks reviewed by this committee.
- **Risk Committee:** Held every quarter, it is the forum where new strategic analyses are discussed and new policies are proposed for approval to the Executive Committee. Additionally, EDPR's overall risk position is reviewed, together with EBITDA@Risk and Net Income@Risk.

55. DETAILS ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY REGARDING THE PROCEDURE FOR REPORTING FINANCIAL INFORMATION

With the purpose of not only controlling risks, but also managing them ex-ante, EDPR has created Global Risk policies that are enforceable at a Global Level. These policies are proposed and discussed in the Risk Committee and approved by the Executive Committee.

Compliance with Global Risk policies is verified every month in the Restricted Risk Committee.

INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

EDPR has an Internal Control System over Financial Reporting (SCIRF) updated and monitored in line with international standards of Internal Control.

This system covers the main aspects of the COSO framework: maintaining a control environment for the preparation of qualified financial information, assessment of the risks of financial reporting, existence of control activities to mitigate risks of error, information and communication and evaluation mechanisms.

SCOPE REVISION AND UPDATE

The SCIRF Manual includes the annual update of the scope that aims to identify companies, areas and processes that must be included in the scope of SCIRF, according to criteria of materiality and risk, including the risk of error or fraud.



The risk analysis included in the scoping process for SCIRF, includes both the different types of risk (operational, economic, financial, technological or legal) and the control objectives of financial reporting (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations in terms of their potential impact on the financial statements).

The results of the updated scope with the methodology outlined are communicated at all levels of the organization involved in the SCIRF and supervised by the Audit and Control Committee.

CONTROL ACTIVITIES

In documented SCIRF processes and controls, information capture mechanisms are established (including identification of the scope of consolidation) and are specified the steps and checks that are carried out for the preparation of the financial information that will be part of consolidated financial statements.

The procedures for the review and approval of financial information are provided by the areas of Planning and Control, and Administration, Consolidation and Tax. Financial information is supervised in the scope of its competences by the Audit Control Committee, prior to the formulation of the accounts by the Board of Directors.

The SCIRF includes control activities related to these processes, embodied in Entity Level Controls, Process Controls and General Computer Controls. These processes include review and approval activities of the financial information which are described in the processes of elaboration of individual accounts, preparation of consolidated accounts and processing of consolidated financial statements.

EDPR has descriptions of Competency Profiles for the Positions to be carried out in the exercise of the main features of each position that includes a description of the main responsibilities. These include the descriptions of the key positions of those involved in the preparation of financial information. These descriptions include responsibilities in the preparation of financial information and compliance with internal control procedures.

The documentation of processes and associated controls designed include among others, the completion of closure activities by completing monthly closing checklists by entity, setting time limits for the closures, the identification of the relevance of the operations in order to be reviewed at the appropriate level, conducting analytical reviews of financial information, the existence of limitations in systems to prevent erroneous records or access by unauthorized persons, analysis of deviations from the budget, the analysis in Executive Committees of relevant and significant facts that could cause a significant impact on the accounts, or the allocation of responsibilities for calculating amounts to be provisioned for them to be carried out by authorized personnel with the right skills.

In addition to the mentioned processes, major transactional processes resulting from the scope are documented. The description of the activities and controls are designed with the aim of ensuring the registration, evaluation, appropriate presentation and disclosure of transactions in financial reporting.

Control activities of EDPR's SCIRF also include those relating to systems and information technology (Computer General Controls) following an international reference, the COBIT framework (Control Objectives for Information and related Technologies). The importance of this area is that information systems are the tools with which financial information is prepared, and is therefore relevant for transactions conducted with them.

These control activities include those related to access control to applications and systems, segregation of duties, management of corrective and preventive maintenance, new projects implementation, administration and management of the systems, facilities and operations (back-ups, security incidents) and their proper monitoring and planning. These activities are developed taking into account the requirements of control and supervision.

Among the activities of SCIRF's scope update, there is a periodic analysis of the existence of service suppliers that perform relevant activities in relation to the processes of preparing financial information.

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SCIRF SUPERVISION

The Audit and Control Committee supervises the SCIRF in the scope of the exercise of their activities through the monitoring and supervision of the developed mechanisms for SCIRF's implementation, evolution and evaluation, and the results of the scope analysis and the extent of the situation in terms of coverage. To this extent, the Internal Audit Department assists the Audit and Control Committee.

EDPR has an Internal Audit Department under the Chairman of the Executive Committee. The Audit and Control Committee supervises the Internal Audit Department as establishes the Basic Internal Audit Act.

The main functions of the Internal Audit Department are set out in the Basic Internal Audit Act, which includes, among others, the evaluation of the activities of internal control systems, including the internal control system over financial reporting.

The annual work plans of the Internal Audit Department obtain the opinion of the Audit and Control Committee. The Internal Audit Department reports to the Audit and Control Committee about the status and the performance of the audit works.

Among these activities, Internal Audit supports the Audit and Control Committee in supervising the implementation and maintenance of SCIRF and reports the results of the evaluation, improvement actions identified and their evolution.

The entity has action plans for improvement actions identified in SCIRF's assessment processes, which are accompanied and supervised by the Internal Audit Department, considering their impact on the financial information.

Also in the year 2017, as in previous years, a process of self-certification was made by the heads of the various process owners regarding proper documentation update on SCIRF controls and processes in their area of responsibility and the implementation of controls with corresponding evidence.

SCIRF EVALUATION

Besides the monitoring and evaluation activities described in the preceding paragraph, in case the auditors identified internal control weaknesses in the scope of their financial audit work, they are expected to communicate these circumstances to the Audit and Control Committee, which regularly monitors the results of the audit work.

Additionally, in 2017 the EDPR Group decided to have its SCIRF audited by the external auditor. As a result of its evaluation, the external auditor issued a report with a favorable opinion on the SCIRF of the EDPR Group, according to ISAE 3000 (International Standard on Assurance Engagements 3000).

CORPORATE COMPLIANCE

The implementation of a solid corporate culture of integrity and transparency has always been a priority for EDPR, structuring its supervision and monitoring through a regulatory compliance conduct basis and through the adoption of ethical values and principles; both consolidated as central elements of its business model. In order to lead and manage the necessary measures and initiatives required to this implementation and its functioning, on the Board of Directors held on April 14th, 2016, it was agreed to appoint Emilio García-Conde Noriega as Compliance Officer of EDPR.

During 2017, EDPR launched a project to evaluate the potential corporate criminal liability risks of EDPR in all of its geographies and to assess the compliance structure to be adopted in order to comply the requirements of the applicable criminal regulations. This project is being performed with the support of a specialized advisor.

The Board of Directors held on December 19th, 2017 approved: i) a new Criminal Liability Prevention Models for Spain that should be deployed during 2018; ii) to create a new Compliance Area to provide support to the Compliance Officer in the performance of its duties; and iii) to work in the definition of a criminal risk matrix at an international level including an inventory of the potential risks and its controls for each of EDPR's geographies.



IV. INVESTOR ASSISTANCE

56. INVESTOR RELATIONS DEPARTMENT

EDPR seeks to provide to shareholders, investors, and stakeholders all the relevant information about the Company and its business environment, on a regular basis. The promotion of transparent, consistent, rigorous, easily accessible, and high-quality information is of fundamental importance to an accurate perception of the Company's strategy, financial situation, accounts, assets, prospects, risks, and significant events.

EDPR, therefore, looks to provide investors with accurate information that can support them in making informed, clear and concrete investment decisions.

The Investor Relations Department was created to ensure a direct and permanent contact with all market related agents and stakeholders, to guarantee effective communication, equality between shareholders and to prevent imbalances in the information access.

The EDPR Investor Relations Department (IR) is the intermediary between EDPR and its actual and potential shareholders, the financial analysts that follow Company's activity, all investors and other members of the financial community. The main purpose of the department is to guarantee the principle of equality among shareholders, by preventing asymmetries in the access of the information and reducing the gap between market perception and Company's strategy and intrinsic value. The department responsibility comprises developing and implementing EDPR's communication strategy and preserving an appropriate institutional and informative relationship with the financial market, the stock exchange at which EDPR shares trade and the regulatory and supervisory entities (CMVM – Comissão de Mercado de Valores Mobiliários – in Portugal and CNMV – Comisión Nacional del Mercado de Valores – in Spain).

EDPR is clearly aware of the importance of detailed and transparent information, delivered on-time to the market. Consequently, EDPR publishes Company's price sensitive information before the opening or following the closing of the Euronext Lisbon stock exchange through CMVM's information system and, simultaneously, make that same information available on the website investors' section and through the IR department's mailing list. In 2017, EDPR made 34 press releases, including quarterly, semi-annual and annual results presentations and handouts elaborated by the IR Department. In addition, the IR Department also elaborates key data files and interim presentations which are available on the website investors' section.

On each earnings announcement, EDPR promotes a conference call and webcast, at which the Company's management updates the market on EDPR's activities. On each of these events, shareholders, investors and analysts had the opportunity to directly submit their questions and to discuss EDPR's results as well as the Company's outlook and strategy.

EDPR IR Department is coordinated by Rui Antunes and is located at the Company's head offices in Madrid, Spain. The department structure and contacts are as follows:

IR Contacts:

- Rui Antunes, Head of Planning & Control, Investor Relations and Sustainability
- Calle Serrano Galvache, 56; Centro Empresarial Parque Norte; Edificio Olmo – 7th floor; 28033 – Madrid – España
- Website: www.edprenovaveis.com/en/investors-edpr
- E-Mail: ir@edpr.com
- Phone: +34 902 830 700 / +34 914 238 429

In 2017, EDPR promoted and participated in several events, namely roadshows, conferences, presentations to investors and analysts, meetings and conference calls. During the year, EDPR management and the IR team attended to 10 broker conferences, held 24 roadshows and reverse roadshows, along with conference calls and meetings, totaling more than 300 interactions with institutional investors across Europe and US.

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EDPR IR Department was in permanent contact with capital markets agents, namely financial analysts who evaluate the Company. In 2017, as far as the Company is aware, sell-side analysts issued more than 107 reports evaluating EDPR's business and performance.

At the end of the 2017, as far as the Company is aware of, there were 25 institutions elaborating research reports and following actively EDPR activity. As of December 31st 2017, the average price target of those analysts was of Euro 7.4 per share with the majority reporting "Buy" and "Neutral" recommendations on EDPR's share: 12 Buys, 12 Neutrals and 1 Sell.

| COMPANY | ANALYST | PRICE TARGET | DATE | RECOMMENDATION |
|-------------------------------|-------------------------|--------------|-----------|----------------|
| AXIA | Maria Almaça | € 8.30 | 24-Aug-16 | Buy |
| Bank of America Merrill Lynch | Pinaki Das | € 7.70 | 1-Mar-17 | Buy |
| BBVA | Daniel Ortea | € 7.80 | 30-Oct-17 | Outperform |
| Berenberg | Lawson Steele | € 4.50 | 7-Feb-17 | Sell |
| BPI | Gonzalo Sanchez-Bordoña | € 8.00 | 14-Jun-17 | Neutral |
| Bryan, Garnier & Co | Xavier Caroen | € 6.30 | 3-Feb-17 | Neutral |
| Caixa BI | Helena Barbosa | € 7.60 | 9-Jan-17 | Buy |
| Citigroup | Akhil Bhattar | € 6.85 | 31-Oct-17 | Neutral |
| Deutsche Bank | Virginia Sanz de Madrid | € 8.20 | 6-Dec-17 | Buy |
| Exane BNP | Manuel Palomo | € 8.00 | 20-Sep-17 | Overweight |
| Fidentiis | Daniel Rodríguez | € 5.78 | 18-Dec-14 | Hold |
| Goldman Sachs | Manuel Losa | € 7.40 | 6-Jul-17 | Neutral |
| Grupo CIMD | António Seladas | € 7.50 | 9-Oct-17 | Neutral |
| Haitong | Jorge Guimarães | € 6.75 | 24-Jul-17 | Neutral |
| HSBC | Pablo Cuadrado | € 7.80 | 6-Nov-17 | Buy |
| JB Capital Markets | José Martins Soares | € 8.00 | 25-Oct-17 | Neutral |
| JP Morgan | Javier Garrido | € 7.80 | 1-Nov-17 | Overweight |
| Kepler Cheuvreaux | Jose Porta | € 7.80 | 24-Aug-17 | Buy |
| Macquarie | Jose Ruiz | € 6.75 | 6-Jul-17 | Neutral |
| Morgan Stanley | Carolina Dores | € 8.10 | 31-Oct-17 | Equalweight |
| Natixis | Philippe Ourpatian | € 6.90 | 1-Mar-17 | Neutral |
| Sabadell | Felipe Echevarría | € 8.20 | 10-Oct-16 | Buy |
| Santander | Bosco Mugiro | € 7.70 | 27-Mar-17 | Buy |
| Société Générale | Jorge Alonso | € 7.40 | 31-Oct-17 | Hold |
| UBS | Hugo Liebaert | € 8.00 | 22-Feb-17 | Buy |

57. MARKET RELATIONS REPRESENTATIVE

EDPR representative for relations with the market is Rui Antunes, Head of Planning & Control, Investor Relations and Sustainability Department.

58. INFORMATION REQUESTS

During the year, IR Department received more than 400 information requests and interacted more than 230 times with institutional investors. On average, information requests were replied in less than 24 hours, with complex requests being replied within one-week time. As of December 31st 2017 there was no pending information request.



V. WEBSITE – ONLINE INFORMATION

59-65.

EDPR considers online information a powerful tool in the dissemination of material information, updating its website with all the relevant documents. Apart from all the required information by CMVM and CNMV regulations, EDPR website also carries financial and operational updates of Company’s activities ensuring an easy access to the information.

EDPR website: www.edprenovaveis.com

| INFORMATION: | LINK: |
|---|--|
| Company information | www.edprenovaveis.com /en/investors/corporate-governance/company-data |
| | www.edprenovaveis.com/en/edpr/our-company/who-we-are |
| Corporate by-laws and bodies/committees regulations | www.edprenovaveis.com/en/investors/corporate-governance/governing-bodies |
| Members of the corporate bodies | www.edprenovaveis.com/en/board-directors- |
| Market relations representative, IR department | www.edprenovaveis.com/en/investors-edpr |
| Means of access | www.edprenovaveis.com/en/general-contacts- |
| Financial statements documents | www.edprenovaveis.com/en/investors/investors-information/reports-and-results |
| Corporate events Agenda | www.edprenovaveis.com/en/investors-edpr |
| General Shareholders’ Meeting information | www.edprenovaveis.com/en/investors/corporate-governance/general-meetings |

D. REMUNERATION

I. POWER TO ESTABLISH

66. COMPETENCES TO DETERMINE THE REMUNERATION OF THE CORPORATE BODIES

The Nominations and Remunerations Committee is a permanent body belonging to the Board of Directors with an informative and advisory nature. Its recommendations and reports are non-binding.

As such, the Nominations and Remunerations Committee has no executive functions. The main functions of the Nominations and Remunerations Committee are to assist and inform the Board of Directors regarding the nominations (including by co-option), re-elections, dismissals, and the remuneration of the Board Members and its position about the composition of the Board of Directors, as well as the nominations, remuneration, and removal of senior management personnel.

The Nominations and Remunerations Committee is the body responsible for proposing to the Board of Directors the determination of the remuneration of the Executive management of the Company; the Declaration on Remuneration Policy; the evaluation and compliance of the KPI’s (Key Performance Indicators); the annual and multi annual variable remuneration, if applicable, and also proposes the remuneration of the Non-Executive Directors and members of the Board Committees.

The Board of Directors is responsible for the approval of the above-mentioned proposals except to the extent it concerns the Declaration on the Remuneration Policy which is approved by the General Shareholders’ Meeting.

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The Declaration on the Remuneration Policy is submitted by the Board of Directors to the approval of the General Shareholders' Meeting as an independent proposal. According to the Company's Articles of Association the Board of Directors remuneration is subject to a maximum value that can only be modified by a Shareholders agreement.

II. NOMINATIONS AND REMUNERATION COMMITTEE

67. NOMINATIONS AND REMUNERATIONS COMMITTEE

The Composition of the Nominations and Remunerations Committee is reflected on topic 29 of the report.

The Nominations and Remunerations Committee did not hire any external consultancy services corresponding to 2017.

68. KNOWLEDGE AND EXPERIENCE REGARDING REMUNERATION POLICY

The Chairman of the Nominations and Remunerations Committee has knowledge and experience regarding Remuneration Policy as member of the Remuneration Committee of a Portuguese listed company as mentioned on his biography available in the Annex of this report, together with the biographies of all other members of the Nominations and Remunerations Committee.

III. REMUNERATION STRUCTURE

69. REMUNERATION POLICY

Pursuant to Article 26.1 of the Company's Articles of Association the Directors shall be entitled to a remuneration which consists of (i) a fixed amount to be determined annually by the General Shareholders' Meeting for the whole Board of Directors and of (ii) attendance fees regarding the Board Meetings.

The above-mentioned article also establishes the possibility of the Directors being remunerated with Company shares, share options, or other securities granting the right to obtain shares or by means of share-indexed remuneration systems. In any case, the system chosen must be approved by the General Shareholders' Meeting and comply with current legal provisions.

The total amount of the remunerations that the Company will pay to its Directors under the terms provided in the previous paragraphs shall not exceed the amount determined by the General Shareholders' Meeting. The maximum remuneration approved by the General Shareholders' Meeting for all the members of the Board of Directors was EUR 2,500,000 per year.

Pursuant to Article 26.4 of the Company's Articles of Association, the rights and duties of any kind derived from the condition of Board Member shall be compatible with any other rights and obligations either fixed or variable that could correspond to the Board Members as a consequence of other employment or professional engagements, if any, carried out in the Company. Variable remuneration resulting from said contracts or from any other relationship, including being a Board Member, will be limited to a maximum annual amount to be established by the General Shareholders' Meeting.

The maximum annual remuneration approved by the General Shareholders' Meeting for the variable remuneration for all the executive members of the Board of Directors was EUR 1,000,000 per year.

EDPR, in line with EDP Group corporate governance practices, has signed an Executive Management Services Agreement with EDP, under which the Company bears the cost for such services to some of the members of the Board of Directors to the extent their services are devoted to EDPR.

The Non-Executive Directors only receive a fixed remuneration, which is calculated on the basis of their work exclusively as Directors or with their membership on the Nominations and Remunerations Committee, Related Party Transactions



Committee, and the Audit and Control Committee. Those members who are seated in two different Committees do not accumulate two remunerations. In these cases, the remuneration to be received is the one that corresponds to the highest value.

EDPR has not incorporated any share remuneration or share purchase options plans as components of the remuneration of its Directors.

No Director has entered into any contract with the Company or third parties that have the effect of mitigating the risk inherent in the variability of the remuneration established by the Company.

In EDPR there are not any payments for the dismissal or termination of Director's duties.

The remuneration policy for the Directors of the Company is submitted each year to the General Shareholders' Meeting for approval.

70. REMUNERATION STRUCTURE

The remuneration policy applicable for 2017-2019, proposed by the Nominations and Remuneration Committee and approved by the General Shareholders' Meeting held on April 6th, 2017 (the "Remuneration Policy"), defines a structure with a fixed remuneration for all members of the Board of Directors, whereas for the members of the Executive Committee defines a fixed and a variable remuneration, with an annual component and a multi-annual component.

EDPR Business Plan for North America platform includes a substantial and strategic investment. On the other hand, EDPR wishes to consolidate its presence in offshore wind on the renewable energy landscape by delivering the projects in which it holds a stake as well as by identifying and developing new opportunities in the same markets or new ones with similar characteristics. Finally, the business environment for next years in Europe and Brazil is becoming very challenging.

Taking into consideration this business perspective and with the aim of reaching a consistency with the market conditions, the Nominations and Remuneration Committee proposed to the Board of Directors 2 (two) new Long Term Incentive Complementary Programs: one for the COO North America and other for the COO Offshore, to its submission to the next General Shareholders' Meeting. Additionally the Nominations and Remunerations Committee may consider studying in 2018 a Long Term Incentive Complementary Plan for COO Europe & Brazil.

On the topic below can be found the KPIs ("Key Performance Indicators") stated in the Remuneration Policy for variable annual and multi-annual variable components.

71. VARIABLE REMUNERATION

Variable annual and multi-annual remuneration applies to the members of the Executive Committee.

The variable annual remuneration may range from 0 to 68% of the annual fixed remuneration and the multi-annual remuneration from 0 to 120% of the annual fixed remuneration.

For Executive Committee Members that are also Officers, there will be a qualitative evaluation of the CEO about the annual performance. This evaluation will have a weight of 20% for the final calculation in the annual variable remuneration and of 32% in the multi-annual variable remuneration. The other 80% will be calculated based on the weights indicated in the next paragraph for the annual variable remuneration and 68% for the multi-annual variable.

The key performance indicators (KPIs) used to determine the amounts of the annual and multi-annual variable remuneration regarding to each year of the term are aligned with the strategic grounds of the Company: growth, risk control and efficiency. These are the same for all members of the Executive Committee, although with specific targets for the platforms in the case of COOs NA and EU/BR. For the year 2017 and in order to align the indicators with the company objectives, some minor amendments were applied to some KPIs.

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The indicators are as follows:

| KEY PERFORMANCE INDICATOR | CEO/CFO/CDO/COO Offshore | | | COOs NA EU/BR* | | |
|--|--------------------------|-------|----------|------------------|-------|----------|
| | Percentages 2017 | Group | Platform | Percentages 2017 | Group | Platform |
| TSR vs. Wind peers & Psi 20 | 15% | 100% | 0% | 15% | 100% | 0% |
| Growth | | | | | | |
| Incremental MW (EBITDA+ENEOP) | 10% | 30% | 70% | 10% | 30% | 70% |
| Self-Funding Strategy | | | | | | |
| Asset Rotation+ Tax Equity | 10.0% | 100% | 0% | 7.5% | 100% | 0% |
| Risk - Return | | | | | | |
| ROIC Cash % | 8% | 50% | 50% | 8% | 50% | 50% |
| EBITDA (in €) | 15% | 50% | 50% | 12% | 50% | 50% |
| Net Profit (excl. Minorities) | 12,5% | 100% | 0% | 12% | 100% | 0% |
| Efficiency | | | | | | |
| Technical Availability | 6% | 40% | 60% | 6% | 40% | 60% |
| Opex /Av. EBITDA MW (in €k) | 0% | 0% | 0% | 6% | 0% | 100% |
| Capex /MW (in €k) | 6% | 50% | 50% | 6% | 50% | 50% |
| Additional KPIs | | | | | | |
| Sustainability | 7.5% | 100% | 0% | 7.5% | 100% | 0% |
| Employee Satisfaction | 5% | 100% | 0% | 5% | 100% | 0% |
| Appreciation of the Remuneration Committee | 5% | 100% | 0% | 5% | 100% | 0% |
| | 100,0% | | | 100,0% | | |

*In respect of COO's annual and multiannual KPIs, both are calculated using the Group achievement, that weights 100%.

According to the Remuneration Policy approved by the General Shareholders' Meeting, the maximum variable remuneration (annual and multi-annual) is applicable if all the above mentioned KPI's were achieved and the performance evaluation is equal or above 110%.

As mentioned above, two Long Term Incentive Complementary Programs (LTICP) have been designed and will be proposed to the next General Shareholders Meeting: one for the COO Offshore, and other for the COO North America.

Regarding COO North America, the LTICP for the period 2017 – 2020 is conditioned to the achievement of the strategic business objectives. The target amount is 50% of the COO NA year-end base salary (USD183.444 gross amount) for each of the four years, implying a total target of 734.000\$ for the period 2017-2020.

The LTICP KPIs measures are as follows: 2017-2020 EDPR Gross Installed MWs in North America, 2017-2020 EDPR EBITDA in North America, 2017-2020 EDPR ROIC Cash in North America

The measures will be consistent across the Plan, and will be evaluated only at the end of the Plan Term (i.e., in January 2021 for the four-year total) and payments would be made based on the LTICP % achievement rate and capped at 120% of target. Given the recent appointment of the COO NA, part of the plan can be substituted by the accommodation expenses derived from his move to the US.

In COO Offshore case, the LTICP KPIs measures are based in reaching Final Investment Decision in the projects where EDPR already has subscribed long term PPAs within the time frames established, and also obtaining additional CfD or FIT contracts.

This program will cover the next three years and shall be paid on January 2021. The maximum target amount (TA) to be accrued yearly is 50% of the COO Offshore year-end base salary (EUR 145.000 gross amount) implying a maximum total of EUR 435.000 for the period 2018-2020.



72. MULTI-ANNUAL REMUNERATION

The Remuneration Policy incorporates the deferral for a period of three years of the multi-annual variable remuneration, being the relevant payment conditioned to the lack of any willful illicit action, known after the appraisal and which endangers the sustainable performance of the company, in line with CMVM corporate governance practices.

Given such deferral policy, an amount of €135.000 (gross amount) corresponding to the Multi-Annual remuneration of Rui Teixeira (former EDPR Executive Committee Member) achieved by him on the period 2014-2016 pursuant to the Appointments and Remuneration Committee evaluation issued on February 18th, 2015, and approved on the Board of Directors Meeting held on February 24th, 2015, was due on 2017.

73. VARIABLE REMUNERATION BASED ON SHARES

EDPR has not allocated variable remuneration on shares and does not maintain Company shares that the Executive Directors have had access to.

74. VARIABLE REMUNERATION BASED ON OPTIONS

EDPR has not allocated variable remuneration on options.

75. ANNUAL BONUS AND NON-MONETARY BENEFITS

The key factors and grounds for any annual bonus scheme are described on topics 71 and 72. Additionally, the Officers, with the exception of the CEO, received the following non-monetary benefits: company car and Health Insurance. In 2017, the non-monetary benefits amounted to EUR 128,753

The Non-Executive Directors do not receive any relevant non-monetary benefits as remuneration.

76. RETIREMENT SAVINGS PLAN

The retirement savings plan for the members of the Executive Committee that are also Officers, acts as an effective retirement supplement with a range between 3% to 6% of their annual salary. The percentage is defined according with the retirement savings plan applicable in their home country. The retirement savings plan has been approved by the General Shareholders' Meeting on April 14th 2016 (the Remuneration Policy included the retirement plan).

IV. REMUNERATION DISCLOSURE

77. BOARD OF DIRECTORS REMUNERATION

The remuneration paid by EDPR to the members of its Board of Directors for the year ended on December 31st 2017 was as follows:

| REMUNERATION | FIXED (€) | TOTAL (€) |
|-----------------------------------|------------|------------|
| EXECUTIVE DIRECTORS | | |
| João Manso Neto* | 0 | 0 |
| João Paulo Costeira** | 61,804.00 | 61,804.00 |
| Miguel Ángel Prado | 0 | 0 |
| Duarte Bello | 15,451.00 | 15,451.00 |
| Miguel Amaro** | 46,353.00 | 46,353.00 |
| Gabriel Alonso** | 0 | 0 |
| NON-EXECUTIVE DIRECTORS | | |
| António Mexia* | 0 | 0 |
| Nuno Alves* | 0 | 0 |
| João Lopes Raimundo | 60,000.00 | 60,000.00 |
| António Nogueira Leite | 55,000.00 | 55,000.00 |
| João Manuel de Mello Franco | 60,000.00 | 60,000.00 |
| Jorge Henriques dos Santos | 80,000.00 | 80,000.00 |
| Gilles August | 45,000.00 | 45,000.00 |
| Manuel Menéndez Menéndez | 45,000.00 | 45,000.00 |
| Acácio Jaime Liberado Mota Piloto | 55,000.00 | 55,000.00 |
| José A. Ferreira Machado | 60,000.00 | 60,000.00 |
| Francisca Guedes de Oliveira | 55,000.00 | 55,000.00 |
| Allan J.Katz | 45,000.00 | 45,000.00 |
| Francisco Seixas da Costa | 55,000.00 | 55,000.00 |
| Total | 738,608.00 | 738,608.00 |

*António Mexia, João Manso Neto and Nuno Alves do not receive any remuneration from EDPR. EDPR and EDP signed an Executive Management Services Agreement according to which EDPR pays to EDP a fee for the services rendered by these Board Members.

**Gabriel Alonso, Miguel Amaro, Duarte Bello, Miguel Ángel Prado and João Paulo Costeira, as Officers and members of the Executive Committee, and for the relevant period of 2017 corresponding to each of them, received their remuneration as Directors as described on the table above and as other Group companies' employees, as described on the table below.

According to the Executive Management Services Agreement signed with EDP, EDPR is due to pay an amount to EDP, for the services rendered by the Executive Managers and the Non-Executive Managers. The amount due under said Agreement for the management services rendered by EDP in 2017 is EUR 621,070, of which EUR 531,070 refers to the management services rendered by the Executive Members and EUR 90,000 to the management services rendered by the Non-Executive Members. The retirement savings plan for the members of the Executive Committee, excluding the Officers, acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The Non-Executive Directors may opt between a fixed remuneration or attendance fees per meeting, in a value equivalent to the fixed remuneration proposed for a Director, taking into consideration the duties carried out.



78. REMUNERATION FROM OTHER GROUP COMPANIES

The total remuneration of the Officers during the relevant 2017 period corresponding to each of them, ex-CEO, was the following:

| REMUNERATION | PAYER | FIXED | VARIABLE ANNUAL | VARIABLE MULTI-ANNUAL | TOTAL |
|---------------------|---|-------------|-----------------|-----------------------|-------------|
| João Paulo Costeira | EDP Energias de Portugal, S.A. Sucursal en España | €228,196 | € 90,000 | 135,000 | €453,196 |
| Miguel Amaro | EDP Energias de Portugal, S.A. Sucursal en España | €182,271 | € 87,500 | - | €269,771 |
| Gabriel Alonso | EDPR North America LLP | US\$317,507 | US\$105,000 | 149,418 | US\$571,925 |
| Duarte Bello | EDP Energias de Portugal, S.A. Sucursal en España | €50,718 | - | - | €50,718 |
| Miguel Ángel Prado | EDPR North America LLP | US\$69,543 | - | - | US\$69,543 |

All the amounts are in EUR, except Gabriel Alonso and Miguel Ángel Prado ones, which are in USD.

79. REMUNERATION PAID IN FORM OF PROFIT SHARING AND/OR BONUS PAYMENTS

In EDPR there is no payment of remuneration in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

80. COMPENSATION FOR RESIGNED BOARD MEMBERS

In EDPR there is no compensation paid or owed to former executive Directors concerning contract termination during the financial year.

81. AUDIT AND CONTROL COMMITTEE REMUNERATION

| MEMBER | POSITION | REMUNERATION (€) * |
|-----------------------------|----------|--------------------|
| Jorge Santos | Chairman | 80,000 |
| João Manuel de Mello Franco | Vocal | 60,000 |
| João Lopes Raimundo | Vocal | 60,000 |

*The Non-Executive Directors receive only a fixed remuneration, which is calculated based on their work exclusively as Directors or with their membership on the Nominations and Remunerations Committee, Related-Party Transactions Committee, and/or the Audit and Control Committee.

82. REMUNERATION OF THE CHAIRPERSON OF THE GENERAL SHAREHOLDERS' MEETING

In 2017, the remuneration of the Chairman of the General Shareholders' Meeting of EDPR was EUR 15,000.

V. AGREEMENTS WITH REMUNERATION IMPLICATION

83-84.

EDPR has no agreements with remuneration implication.

VI. SHARE-ALLOCATION AND/OR STOCK OPTION PLANS

85-88.

EDPR does not have any Share-Allocation and/or Stock Option Plans.

E. RELATED-PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. RELATED-PARTY TRANSACTIONS CONTROLLING MECHANISMS

In order to supervise the transactions between the Group Companies and its qualified shareholders, the Board of Directors has created the Related-Party Transactions Committee, a permanent body with delegated functions. The Related-Party Transactions Committee duties are described on topic 29 of the Report. The Audit and Control Committee also supervises the transactions with qualified shareholders when requested by the Board of Directors according to Article 8.2, i) of its Regulations. This information is included on the annual report of the Audit and Control Committee. The mechanisms established on both committees' regulations and also the fact that one of the members of the Related-Party Transactions Committee is member of the Audit and Control Committee constitutes a relevant element for an adequate evaluation of the relations established between EDPR and third entities.

90. TRANSACTIONS SUBJECT TO CONTROL DURING 2017

During 2017, EDPR has not signed any contracts with the members of its corporate bodies or with holders of qualifying holdings, excluding EDP, as mentioned below.

The contracts signed between EDPR and its related parties have been analyzed by the Related-Party Transactions Committee according to its competences, as mentioned on the previous topic, and have been concluded according to the market conditions.

The total amount of supplies and services in 2017 incurred with or charged by the EDP Group was EUR 18,629,789, corresponding to 5.6% of the total value of Supplies & Services for the year (EUR 326,885,895).

The most significant contracts in force during 2017 are the following:

FRAMEWORK AGREEMENT

The framework agreement was signed by EDP and EDPR on May 7th 2008 and came into effect when the latter was admitted to trading. The purpose of the framework agreement is to set out the principles and rules governing the legal and business relations existing when it came into effect and those entered into subsequently.

The framework agreement establishes that neither EDP nor the EDP Group companies other than EDPR and its subsidiaries can engage in activities in the field of renewable energies without the consent of EDPR. EDPR shall have worldwide exclusivity, with the exception of Brazil, where it shall engage its activities through a joint venture with EDP Energias do Brasil S.A., for the development, construction, operation, and maintenance of facilities or activities related to wind, solar, wave and/or tidal power, and other renewable energy generation technologies that may be developed in the future. Nonetheless, the agreement excludes technologies being developed in hydroelectric power, biomass, cogeneration, and waste in Portugal and Spain.



It lays down the obligation to provide EDP with any information that it may request from EDPR to fulfil its legal obligations and prepare the EDP Group's consolidated accounts. The framework agreement shall remain in effect for as long as EDP directly or indirectly owns more than 50% of the share capital of EDPR or appoints more than 50% of its Directors.

EXECUTIVE MANAGEMENT SERVICES AGREEMENT

On November 4th 2008 EDP and EDPR signed an Executive Management Services Agreement which was last amended in February 2017.

Through this contract, EDP provides management services to EDP Renováveis, including matters related to the day-to-day running of the Company. Under this agreement EDP appoints three people from EDP to be part of EDPR's Management: (i) one Executive Manager which is member of the EDPR Executive Committee and CEO, and (ii) two Non-Executive Managers, for which EDP Renováveis pays EDP an amount defined by the Related Party Committee, and approved by the Board of Directors and the Shareholders Meeting. Under this contract, EDPR incurred an amount of EUR 621,070.6 for the management services rendered in 2017.

FINANCE AGREEMENTS AND GUARANTEES

The most significant finance agreements between EDP Group companies and EDPR Group companies were established under the above-described Framework Agreement and currently include the following:

LOAN AGREEMENTS

EDPR and EDPR Servicios Financieros SA (as the borrower) have loan agreements with EDP Finance BV and EDP Servicios Financieros España (as the lender), companies 100% owned by EDP Energias de Portugal S.A. Such loan agreements can be established both in EUR and USD, up to 10-year tenor and are remunerated at rates set at an arm's length basis. As of December 31st 2017, such loan agreements totalled USD 1,472,783,052 and EUR 965,870,000.

CURRENT ACCOUNT AGREEMENT

EDPR Servicios Financieros (EDPR SFE) and EDP Servicios Financieros España (EDP SFE) signed an agreement through which EDP SFE manages EDPR SFE's cash accounts. The agreement also regulates the current account (cc) scheme on arm's length basis. As of December 31st 2017, there are two different current accounts with the following balance and counterparties:

- in USD, for a total amount of USD 23,055,466 in favour of EDP SFE;
- in EUR, for a total amount of EUR 35,164,912 in favour of EDP SFE.

The agreements in place are valid for one year as of date of signing and are automatically renewed for equal periods.

COUNTER-GUARANTEE AGREEMENT

A counter-guarantee agreement was signed, under which EDP or EDP Energias de Portugal S.A., Sucursal en España (hereinafter guarantor or EDP Sucursal) undertakes on behalf of EDPR, EDP Renewables Europe SLU (hereinafter EDPR EU), and EDP Renewables North America LLC (hereinafter EDPR NA) to provide corporate guarantees or request the issue of any guarantees, on the terms and conditions requested by the subsidiaries, which have been approved on a case by case basis by the EDP's Executive Board.

EDPR will be jointly liable for compliance by EDPR EU and EDPR NA. The subsidiaries of EDPR undertake to indemnify the guarantor for any losses or liabilities resulting from the guarantees provided under the agreement and to pay a fee established in arm's length basis. Nonetheless, certain guarantees issued prior to the date of approval of these agreements may have different conditions. As of December 31st 2017, such counter-guarantee agreements totaled EUR 6.401.170 and USD 316.560.000.

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The counter-guarantee agreement under which EDP Energias do Brasil, SA or EDPR were undertaking on behalf of EDPR Brasil to provide corporate guarantees or request the issue of any guarantees on the terms and conditions requested by the subsidiaries, is no longer applicable and only the guarantees issued beforehand still in place until their expiring date. As of December 31st 2017, such counter-guarantee agreements totaled BRL 159,586,407.

CROSS CURRENCY INTEREST RATE SWAPS

Due to the net investments in EDPR NA, EDPR Canada, EDPR Brazil, Polish and Romanian companies, EDPR's accounts were exposed to the foreign exchange risk. With the purpose of hedging this foreign exchange risk, EDPR Group companies settled the following Cross Currency Interest Rate Swap (CIRS). As of December 31st 2017, the total amount of CIRS by geography and currency are as following:

- in USD/EUR, with EDP Sucursal for a total amount of USD 2,619,281,096;
- in CAD/EUR, with EDP Energias de Portugal SA for a total amount of CAD 30,050,000 (NDF);
- in BRL/EUR, with EDP Energias de Portugal SA for a total amount of BRL 168,000,000 (NDF);
- in PLN/EUR, with EDP Energias de Portugal SA for a total amount of PLN 741,641,090;
- in RON/EUR with EDP Energias de Portugal SA for a total amount of RON 689,573,000.

HEDGE AGREEMENTS – EXCHANGE RATE

EDPR Group companies entered into several hedge agreements with EDP Energias de Portugal S.A., with the purpose of managing the transaction exposure related to the short term or transitory positions in Polish subsidiaries, fixing the exchange rate for PLN/EUR and EUR/PLN in accordance to the prices in the forward market in each contract date. As of December 31st 2017, the total amount of Forwards and Non Delivery Forwards by geography and currency are as following:

- Polish operations, for EUR/PLN, a total amount of PLN 210,345,293 (FWDs);
- Polish operations, for PLN/EUR, a total amount of EUR 1,755,379 (FWDs)

HEDGE AGREEMENTS – COMMODITIES

EDP and EDPR EU entered into hedge agreements for 2017 for a total volume of 3,686,670 MWh (sell position) and 1,551,275 MWh (buy position) at the forward market price at the time of execution related with the expected sales of energy in the Spanish market.

CONSULTANCY SERVICE AGREEMENT

On June 4th 2008, EDP and EDPR signed a consultancy service agreement. Through this agreement, and upon request by EDPR, EDP (or through EDP Sucursal) shall provide consultancy services in the areas of legal services, internal control systems, financial reporting, taxation, sustainability, regulation and competition, risk management, human resources, information technology, brand and communication, energy planning, accounting and consolidation, corporate marketing, and organizational development.

The price of the agreement is calculated as the cost incurred by EDP plus a margin. For the first year, it was fixed at 8% based on an independent expert on the basis of market research. For 2017 the estimated cost of these services is EUR 5.406.049.4. This was the total cost of services provided for EDPR, EDPR EU, and EDPR NA.

The duration of the agreement is one (1) year tacitly renewable for equal periods.

RESEARCH AND DEVELOPMENT AGREEMENT

On May 13th 2008, EDP Inovação S.A. (hereinafter EDP Inovação), an EDP Group Company, and EDPR signed an agreement regulating relations between the two companies regarding projects in the field of renewable energies (hereinafter the R&D Agreement).



The object of the R&D Agreement is to prevent conflicts of interest and foster the exchange of knowledge between companies and the establishment of legal and business relationships. The agreement forbids EDP Group companies other than EDP Inovação to undertake or invest in companies that undertake the renewable energy projects described in the agreement.

The R&D Agreement establishes an exclusive right on the part of EDP Inovação to project and develop new renewable energy technologies that are already in the pilot or economic and/or commercial feasibility study phase, whenever EDPR exercises its option to undertake them.

The fee corresponding to this agreement in 2017 is EUR 694,252.47.

The agreement shall remain in effect for as long as EDP directly or indirectly maintains control of more than 50% of both companies or appoint the majority of the members of the Board and Executive Committee of the parties to the agreement.

MANAGEMENT SUPPORT SERVICES AGREEMENT BETWEEN EDP RENOVÁVEIS PORTUGAL S.A., AND EDP VALOR – GESTÃO INTEGRADA DE RECURSOS S.A.

On January 1st 2003, EDPR - Promoção e Operação S.A., and EDP Valor – Gestão Integrada de Recursos S.A. (hereinafter EDP Valor), an EDP Group Company, signed a management support service agreement.

The object of the agreement is the provision to EDPR – Promoção e Operação S.A. by EDP Valor of services in the areas of procurement, economic and financial management, fleet management, property management and maintenance, insurance, occupational health and safety, and human resource management and training.

The remuneration accrued by EDP Valor by EDPR Promoção e Operação S.A. and its subsidiaries for the services provided in 2017 totalled EUR 1,041,383.24. The initial duration of the agreement was five (5) years from date of signing on January 1st 2008, and tacitly renewable for equal periods of one (1) year. Either party may renounce the contract with one (1) year's notice.

INFORMATION TECHNOLOGY MANAGEMENT SERVICES AGREEMENT BETWEEN EDP RENOVÁVEIS S.A. AND EDP ENERGIAS DE PORTUGAL S.A.

On January 1st 2010 EDPR and EDP signed an IT management services agreement.

The object of the agreement is to provide to EDPR the information technology services described on the contract and its attachments by EDP.

The amount incurred for the services provided in 2017 totalled EUR 692,471.9.

The initial duration of the agreement is one (1) year from date of signing and it is tacitly renewed for a new period of one (1) year.

Either party may renounce the contract with one (1) month notice.

CONSULTANCY AGREEMENT BETWEEN EDP RENOVÁVEIS BRASIL S.A., AND EDP ENERGIAS DO BRASIL S.A.

The object of the agreement is to provide to EDP Renováveis Brasil S.A. (hereinafter EDPR Brasil) the consultancy services described on the contract and its attachments by EDP – Energias do Brasil S.A. (hereinafter EDP Brasil). Through this agreement, and upon request by EDPR Brasil, EDP Brasil shall provide consultancy services in the areas of legal services, internal control systems, financial reporting, taxation, sustainability, regulation and competition, risk management, human resources, information technology, brand and communication, energy planning, accounting and consolidation, corporate marketing, and organizational development.

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The amount incurred by EDP Brasil for the services provided in 2017 totalled BRL 202,303.

The initial duration of the agreement is one (1) year from the date of signing and it is tacitly renewed for a new period of one (1) year.

91. DESCRIPTION OF THE PROCEDURES APPLICABLE TO THE SUPERVISORY BODY FOR THE ASSESSMENT OF THE BUSINESS DEALS

The most significant contracts signed between EDPR and its Qualified Shareholders are analysed by the Related-Party Transactions Committee according to its competences, as mentioned on topic 89 of the report and by the Audit and Control Committee when requested.

According to Article 9.1 g) of the Related-Party Transactions Committee Regulations, the Committee analyses and supervises, according to the necessities of each specific case, the transactions between Qualifying Holdings other than EDP with entities from the EDP Renováveis Group whose annual value is superior to EUR 1,000,000. This information is included on the annual report of the Audit and Control Committee regarding those cases whose previous opinion was requested. The mechanisms established on both committees regulations and also the fact that one of the members of the Related-Party Transactions Committee is a member of the Audit and Control Committee constitutes a relevant element for an adequate evaluation of the relations established between EDPR and third entities.

II. DATA ON BUSINESS DEALS

92. DETAILS OF THE PLACE WHERE THE FINANCIAL STATEMENTS INCLUDING INFORMATION ON BUSINESS DEALINGS WITH RELATED PARTIES ARE AVAILABLE, IN ACCORDANCE WITH IAS 24, OR ALTERNATIVELY A COPY OF SAID DATA.

The information on business dealings with related parties is available on Note 37 of the Financial Statements.



PART II – CORPORATE GOVERNANCE ASSESSMENT

1. DETAILS OF THE CORPORATE GOVERNANCE CODE IMPLEMENTED

According to article 2 of CMVM Regulation 4/2013, EDPR informs that the present Report has been drafted under the Recommendations of CMVM's Corporate Governance Code published on July 2013. The CMVM Corporate Governance Code and its Regulations are available at CMVM website (www.cmvm.pt).

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IMPLEMENTED

The following table shows the CMVM recommendations set forth in the code and indicates EDPR's compliance with it and the place in this report in which they are described in more detail.

During 2017 EDPR continued its consolidation task as to the Company's governance principles and practices. The high level of compliance with the best governance practices by EDPR was once again recognized by an initiative of Deloitte, the UK-based financial services firm, which rewards the best investor relations performance among companies listed on Euronext Lisbon: the annual IRG Awards Gala. This awards recognize the year's greatest accomplishments in the Portuguese business and financial markets, based on policies and attitudes of transparency, the quality of the information produced and its investor relations. EDPR once again, has been awarded for the Best Annual Report in the non-financial sector at the Investor Relations & Governance Awards, which took place September 19th in Lisbon, for excellence in accuracy, transparency, thoroughness and clarity.

EDPR has been recognized with several IRG awards and nominations in past years. This is the third consecutive year in which the company has won the award for Best Annual Report in the Non-Financial Sector, and its seventh time overall.

Also in order to comply with the Recommendation II.2.5 of the Portuguese Corporate Governance Code, and according to the results of the reflection made by the Nominations and Remunerations Committee, the governance model that was adopted has been ensuring an effective performance and articulation of EDPR Social Bodies and proved to be adequate to the Company's governance structure without any constraints to the performance of its checks and balances system adopted to justify the changes made in the governance practices of EDPR.

The explanation of CMVM's recommendations that EDPR does not adopt or that the Company deems not applicable, reasoning and other relevant comments as well as reference to the part of the report where the description may be found, are in the table below.

In this context, EDPR states that it has adopted the CMVM recommendations on the governance of listed companies provided in the Portuguese Corporate Governance Code, with the exceptions indicated below.

| #.#. | CMVM RECOMMENDATIONS |
|--------------------------------|---|
| STATEMENT OF COMPLIANCE | |
| I. | VOTING AND CORPORATE CONTROL |
| I.1. | Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically. |
| Adopted | |
| | Chapter B – I, b), topic 12 and 13 |
| I.2. | Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law. |
| Adopted | |
| | Chapter B – I, b), topic 14 |
| I.3. | Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders. |
| Adopted | |
| | Chapter B – I, b) topic 14 |

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| #.#. | CMVM RECOMMENDATIONS |
|--|--|
| STATEMENT OF COMPLIANCE | |
| I.4. | The Company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction. |
| | Not Applicable |
| | Chapter A – I, topic 5 |
| I.5. | Measures that require payment or assumption of fees by the Company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board Members, shall not be adopted. |
| | Adopted |
| | Chapter A – I, Topic 2 and 4 |
| II. SUPERVISION, MANAGEMENT AND OVERSIGHT | |
| II.1. SUPERVISION AND MANAGEMENT | |
| II.1.1. | Within the limits established by law, and except for the small size of the Company, the board of Directors shall delegate the daily management of the Company and said delegated powers shall be identified in the Annual Report on Corporate Governance. |
| | Adopted |
| | Chapter B – II, Topic 21, 28 and 29 |
| II.1.2. | The Board of Directors shall ensure that the Company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the Company, ii) define business structure of the group, iii) decisions considered strategic due to the amount, risk and particular characteristics involved. |
| | Adopted |
| | Chapter B- II, Topic 29 |
| II.1.3. | The General and Supervisory Board, in addition to its supervisory duties , shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the Company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company. |
| | Not Applicable |
| | (The governance model adopted by EDPR, as it is compatible with its personal law, corresponds to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility an Audit and Control Committee.) |
| II.1.4. | Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive Directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement. |
| | Adopted |
| | Chapter B – II, C), Topic 27, 28 and 29 |
| II.1.5. | The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals. |
| | Adopted |
| | Chapter B – III; C), III – Topic 52, 53, 54 and 55 |
| II.1.6. | The Board of Directors shall include a number of Non-Executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board. |
| | Adopted |
| | Chapter B – II, Topic 18 and Topic 29 |



| #.#. | CMVM RECOMMENDATIONS |
|--------------------------------|--|
| STATEMENT OF COMPLIANCE | |
| II.1.7. | <p>Non-Executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the Company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the Company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <ul style="list-style-type: none"> a. Having been an employee at the Company or at a Company holding a controlling or group relationship within the last three years; b. Having, in the past three years, provided services or established commercial relationship with the Company or Company with which it is in a control or group relationship, either directly or as a partner, board member, manager or Director of a legal person; c. Being paid by the Company or by a Company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of Board Members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder. <p>Adopted</p> <p>Chapter B – II, Topic 18</p> |
| II.1.8. | <p>When Board Members that carry out executive duties are requested by other Board Members, said shall provide the information requested, in a timely and appropriate manner to the request.</p> <p>Adopted</p> <p>Chapter B – II, C) - Topic 29</p> |
| II.1.9. | <p>The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairperson of the Financial Matters Board, the convening notices and minutes of the relevant meetings.</p> <p>Adopted</p> <p>Chapter B – II, C) - Topic 29</p> |
| II.1.10. | <p>If the chair of the board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other Non-Executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.</p> <p>Not applicable</p> <p>(The Chairperson of EDPR’s Board of Directors does not have executive duties) Chapter B – II, A) – Topic 18</p> |
| II.2 | SUPERVISION |
| II.2.1. | <p>Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.</p> <p>Adopted</p> <p>Chapter B – II – Topic 18; Chapter B – II, C) - Topic 29; and Chapter B – III, A) – Topic 32</p> |
| II.2.2. | <p>The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the Company</p> <p>Adopted</p> <p>Chapter B – C), Topic 29; and Chapter B – V, Topic 45</p> |
| II.2.3. | <p>The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.</p> <p>Adopted</p> <p>Chapter B – II, Topic 29; Chapter B – III, C) – Topic 38; and Chapter B – III – V, Topic 45</p> |
| II.2.4. | <p>The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.</p> <p>Adopted</p> <p>Chapter B – II, Topic 29; and Chapter B – III, C) – III</p> |
| II.2.5. | <p>The Audit Committee, the General and Supervisory Board and the Supervisory Board shall decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.</p> <p>Adopted</p> <p>Chapter B – II, Topic 29</p> |

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| #.#. | CMVM RECOMMENDATIONS |
|--------------------------------|---|
| STATEMENT OF COMPLIANCE | |
| II.3. | REMUNERATION SETTING |
| II.3.1. | All members of the Remuneration Committee or equivalent should be independent from the Executive Board Members and include at least one member with knowledge and experience in matters of remuneration policy. Adopted Chapter D – II – Topic 29, 67 and 68 |
| II.3.2. | Any natural or legal person that provides or has provided services in the past three years, to any structure under the Board of Directors, the Board of Directors of the Company itself or who has a current relationship with the Company or consultant of the Company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above. Adopted Chapter D – II – Topic 67 |
| II.3.3. | A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, incurred to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of Board Members. Adopted Chapter D – III – Topic 69 |
| II.3.4. | Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to Board Members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan. Not Applicable Chapter V – III, Topic 73 and 85-88 |
| II.3.5. | Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system. Adopted Chapter D – III, Topic 76 |
| III. | REMUNERATION |
| III.1. | The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking. Adopted Chapter D – III, Topic 69, 70, 71 and 72 |
| III.2. | The remuneration of Non-Executive Board Members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the Company or of its value. Adopted Chapter D – III, Topic 69; and Chapter D – IV, Topic 77 |
| III.3. | The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components. Adopted Chapter D – III, Topic 71 and 72 |
| III.4. | A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the Company during that period. Adopted Chapter D – III, Topic 72 |
| III.5. | Members of the Board of Directors shall not enter into contracts with the Company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the Company. Adopted Chapter D – III, Topic 69 |



| #.#. | CMVM RECOMMENDATIONS |
|--|--|
| STATEMENT OF COMPLIANCE | |
| III.6. | Executive Board Members shall maintain the Company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate. |
| Not Applicable | |
| | Chapter D – III, Topic 73 |
| III.7. | When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years. |
| Not Applicable | |
| | Chapter D – III, Topic 74 |
| III.8. | When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the Company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable. |
| Adopted | |
| | Chapter D – III, Topic 69 and 72 |
| IV. AUDITING | |
| IV.1. | The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the Company. |
| Adopted | |
| | Chapter B – III – V, Topic 45 |
| IV.2. | The Company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the Company. |
| Adopted | |
| | Chapter B – III – V, Topics 37 and 46 |
| IV.3. | Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement. |
| Adopted | |
| | Chapter B – III – V, Topic 44 |
| V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS | |
| V.1. | The Company's business with holders of qualifying holdings or entities, with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions. |
| Adopted | |
| | Chapter B – C), Topic 90 |
| V.2. | The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20/1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body. |
| Adopted | |
| | Chapter B – C), Topic 89 and 91 |
| VI. INFORMATION | |
| VI.1. | Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play. |
| Adopted | |
| | Chapter B – C) – V, Topics 59-65 |
| VI.2. | Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept. |
| Adopted | |
| | Chapter B – C) – IV, Topic 56 |

ANNEX

PROFESSIONAL QUALIFICATIONS AND BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

ANTÓNIO MEXIA

Born: 1957



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Chairman of the Board of Directors of EDP Renováveis SA
- Chairman and CEO of the Executive Board of Directors of EDP - Energias de Portugal, S.A.
- Permanent Representative of EDP - Energias de Portugal, Sociedade Anónima, Sucursal en España, and Representative of EDP Finance BV
- Chairman of the Board of Directors of EDP - Energias do Brasil, S.A.
- Member of de Board of Directors of Fundação EDP

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Member of the Board of Directors of Banco Comercial Português (BCP)
- President of the Board of Directors of Union de l'Industrie Electrique – EURELECTRIC

OTHER PREVIOUS POSITIONS:

- Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government
- Chairman of the Portuguese Energy Association (APE)
- Executive Chairman of Galp Energia
- Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico
- Vice-Chairman of the Board of Directors of Galp Energia
- Director of Banco Espírito Santo de Investimentos
- Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade)
- Assistant to the Secretary of State for Foreign Trade
- Assistant Lecturer in the Department of Economics at Université de Genève (Switzerland)

EDUCATION:

- BSc in Economics from Université de Genève (Switzerland)
- Postgraduate lecturer in European Studies at Universidade Católica



JOÃO MANSO NETO

Born: 1958



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Executive Vice-Chairman of the Board of Directors and Chairman of the Executive Committee (CEO) of EDP Renováveis SA
- Chairman of the Board of Directors of EDP Renewables Europe SLU, EDP Renováveis Brasil SA and EDP Renováveis Servicios Financieros S.A.
- Executive Director of EDP Energias de Portugal SA,
- Member of the Board of Directors of Hidroeléctrica del Cantábrico S.A
- Permanent Representative of EDP Energias de Portugal SA Sucursal en España, and Representative of EDP Finance BV
- Chairman of the Board of Directors of EDP Gás.com Comércio de Gás Natural SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Member of the Board of the Operador del Mercado Ibérico de Energía, Polo Español (OMEL)
- Member of the Board of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A
- Member of the Board of MIBGAS

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Member of the Executive Board of Directors of EDP Energias de Portugal SA
- Chairman of EDP Gestão da Produção de Energia SA
- CEO and Vice-Chairman of Hidroeléctrica del Cantábrico SA
- Vice-Chairman of Naturgás Energia Grupo SA
- Member of the Board of the Operador del Mercado Ibérico de Energía, Polo Español (OMEL)
- Member of the Board of OMIP – Operador do Mercado Ibérico (Portugal) SGPS SA

OTHER PREVIOUS POSITIONS:

- Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas at Banco Português do Atlântico,
- General Manager of Financial Management, General Manager of Large Corporate and Institutional Businesses, General Manager of the Treasury, Member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland- at Banco Comercial Português
- Member of the Board of Banco Português de Negócios
- General Manager and Member of the Board of EDP Produção

EDUCATION:

- Degree in Economics from Instituto Superior de Economia
- Post-graduate degree in European Economics from Universidade Católica Portuguesa
- Professional education course through the American Bankers Association (1982), the academic component of the Master's Degree program in Economics at the Faculty of Economics, Universidade Nova de Lisboa
- Advanced Management Program for Overseas Bankers at the Wharton School in Philadelphia

JOÃO PAULO COSTEIRA

Born: 1965



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Chief Operating Officer - Offshore of EDP Renováveis SA
- Chief Development Officer of EDP Renováveis SA
- Member of the Board of Directors of EDP Renováveis S.A.
- Member of the Executive Committee of EDP Renováveis S.A.

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- (none)

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Chief Operating Officer for Europe & Brazil of EDP Renováveis SA
- Chairman of the Board of Directors of EDP Renewables Italia SRL, EDP Renewables France Holding SA, EDP Renewables SGPS SA, EDP Renewables South Africa Ltd, EDP Renováveis Portugal SA, EDPR PT- Parques Eólicos SA, EDPR PT Promoção e Operação SA, ENEOP 2 SA, Greenwind SA and South Africa Wind & Solar Power SLU
- Director of EDP Renewables Europe SL, EDP Renewables Polska SP zoo, EDP Renewables Romania SRL, EDP Renewables UK Ltd, EDP Renováveis Brasil SA and EDP Renováveis Servicios Financieros SL

OTHER PREVIOUS POSITIONS:

- Commercial Director of Portgás
- General Manager of LisboaGás (Lisbon's Natural Gás LDC), Managing Director of Transgás Industria (Liberalized wholesale customers), and Managing Director of Lusitaniagás (Natural gas LDC) at Galpenergia Group (Portugal's National Oil & Gas Company)
- Member of the Management Team of GalpEmpresas and Galpgás
- Executive Board Member for Natural Gas Distribution and Marketing (Portugal and Spain)

EDUCATION:

- Degree in Electrical Engineering by the Faculdade Engenharia da Universidade do Porto
- Master in Business Administration by IEP/ESADE (Oporto and Barcelona)
- Executive Development Program at École des HEC (Université de Lausanne)
- Strategic Leadership Development Program at INSEAD (Fontainebleau)
- Advanced Management Program of IESE (Barcelona)



DUARTE BELLO

Born: 1979



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Chief Operating Officer Onshore Europe and Brazil
- Member of the Board of Directors of EDP Renováveis S.A.
- Member the Executive Committee of EDP Renováveis S.A.

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- None

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Head of EDP Group M&A and Corporate Development
- Member of EDP Group Investment Committee

OTHER PREVIOUS POSITIONS:

- Chief of Staff for EDP's CEO
- Project Manager in EDP Group M&A and Corporate Development
- Financial analyst in Citigroup's Investment Banking division in London
- Financial Analyst at Schroder Salomon Smith Barney in London and Lisbon

EDUCATION:

- Business and Administration from Faculdade de Economia da Universidade Nova de Lisboa
- MBA from INSEAD (Singapore and France)

MIGUEL ÁNGEL PRADO

Born: 1975



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis S.A.
- Member of the Executive Committee of EDP Renováveis S.A
- CEO of EDP Renewables North America LLC

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- (none)

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Head of Investments, Mergers and Acquisitions at EDP Renewables S.A.
- Leadership of the asset rotation strategy of EDP Renováveis S.A.
- Member of EDPR Group Investment Committee

OTHER PREVIOUS POSITIONS:

- He has worked in EDP and EDPR for nearly 15 years, investing more than 18 Billion by executing a significant number of relevant acquisitions in 12 different countries
- Manager at Arthur Andersen Corporate Finance department

EDUCATION:

- Phd in Business and Management by the University of Oviedo and Bradford (UK)
- Executive MBA by the IE (Instituto de Empresa, Madrid)



NUNO ALVES

Born: 1958



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis S.A.
- Member and CFO of the Executive Board of Directors of EDP - Energias de Portugal, S.A.
- Chairman of the Board of Directors of EDP - Imobiliária e Participações, S.A., Energia RE S.A., Sávica - Medicina Apoiada, S.A., SCS - Serviços Complementares de Saúde, S.A.
- Member of Board of Directors of EDP - Energias do Brasil, S.A. and member of the Board of Directors of Hidroeléctrica del Cantábrico SA
- Permanent Representative and Member of the Executive Committee of EDP - Energias de Portugal, Sociedade Anónima, Sucursal en España
- Manager of EDP IS – Investimentos e Serviços, SU Lda
- Representative of relations with the Market and CMVM of EDP - Energias de Portugal, S.A.

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Member of the Executive Board of Directors and CFO of EDP - Energias de Portugal, S.A.
- Representative of EDP Finance BV

OTHER PREVIOUS POSITIONS:

- In 1988, he joined the Planning and Strategy Department of Millennium BCP
- Associate Director of the Millennium BCP bank's Financial Investments Division
- Investor Relations Officer for the Millennium BCP Group
- Coordinating Manager of Millennium BCP Retail network
- Head of the Capital Markets Division of Millennium BCP Investimento
- Co-Head of Millennium BCP Investment Banking Division
- Chairman and CEO of CIFS Dealer, the brokerage arm of Millennium BCP Investimento
- General Manager of Millennium BCP
- Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets

EDUCATION:

- Degree in Naval Architecture and Marine Engineering
- Master in Business Administration by the University of Michigan

JOÃO LOPES RAIMUNDO

Born: 1960



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis SA
- Member of the Audit and Control Committee of EDP Renováveis SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Member of the CA of Montepio Holding SA
- Member of the CAE of Caixa Económica Montepio Geral (“CEMG”)
- Chairman of Montepio Investimento SA
- Member of the CA of HTA – Hotéis, Turismo e Animação dos Açores, S.A.
- Member of the CA of SIBS, SGPS, S.A.
- Member of the CA of SIBS FPS – Forward Payment Solutions, S.A.

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Member of the Board of Directors of CIMPOR - Cimentos de Portugal, SGPS SA
- Managing Director of Millennium BCP's Investment Banking Division
- CEO and Board Member of Millennium BCP Capital SA
- Chairman of the Board of BCP Holdings (USA), Inc.
- General Manager of Banco Comercial Português
- Member of the Board of OMIP – Operador do Mercado Ibérico (Portugal), SGPS SA
- Member of the Investment Committees of the Fundo Revitalizar Norte, FCR (managed by Explorer Investments, SCR SA), Fundo Revitalizar Centro, FCR (Managed by Oxy Capital, SCR, SA) and Fundo Revitalizar Sul, FCR (Managed by Capital Criativo, SCR SA)
- Member of the CAE of Montepio Recuperação de Crédito ACE

OTHER PREVIOUS POSITIONS:

- Senior auditor of BDO—Binder Dijker Otte Co.
- Director of Banco Manufactures Hanover (Portugal) SA
- Member of the Boards of TOTTAfactor SA (Grupo Banco Totta e Açores) and Valores Ibéricos, SGPS SA In 1993, held positions with Nacional Factoring, da CISF - Imóveis and CISF Equipamentos
- Director of CISF - Banco de Investimento
- Member of the Board of Directors of Leasing Atlântico, Comercial Leasing, Factoring Atlântico, Nacional Leasing and Nacional Factoring
- Member of the Board of Directors of BCP Leasing, BCP Factoring and Leasefactor SGPS
- Chairman of the Board of Directors of Banque BCP (Luxemburg)
- Chairman of the Executive Committee of Banque BCP (France)
- Member of the Board of Banque Privée BCP (Switzerland)
- General Manager of BCP's Private Banking Division
- Member of the Board of Directors of Banco Millennium BCP de Investimento SA
- General Manager of Banco Comercial Português SA
- Vice-Chairman of the General Assembly Board of Millennium Angola
- Vice-Chairman and CEO of Millennium BCP Bank NA (USA)

EDUCATION:

- BSc in Business Administration from Universidade Católica Portuguesa
- Master in Business Administration from INSEAD



JOÃO MANUEL DE MELLO FRANCO

Born: 1946



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors,
- Chairman of the Nominations and Remunerations Committee
- Member of the Audit and Control Committee of EDP Renováveis SA
- Current positions in companies outside EDPR and EDP group of companies:
- Member of the Board of Villas Boas ACP – Corretores de Seguros, S.A
- Member of the Board of ACP-Mediação de Seguros, S.A.

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Chairman of the Audit Committee of Sporting Clube de Portugal-Futebol SAD
- Chairman of the Board of Directors of Portugal Telecom SGPS, SA.
- Chairman of the Audit Committee, Member of the Corporate Governance Committee, Member of the Evaluation Committee and Member of the Remuneration Committee of Portugal Telecom SGPS SA

OTHER PREVIOUS POSITIONS:

- Member of the Board of Directors of Tecnologia das Comunicações, Lda
- Chairman of the Board of Directors of Telefones de Lisboa e Porto SA
- Chairman of Associação Portuguesa para o Desenvolvimento das Comunicações
- Chairman of the Board of Directors of Companhia Portuguesa Rádio Marconi
- Chairman of the Board of Directors of Companhia Santomense de Telecomunicações e da Guiné Telecom
- Vice-Chairman of the Board of Directors and CEO of Lisnave (Estaleiros Navais) SA
- CEO and Chairman of the Board of Directors of Soponata
- Director and Member of the Audit Committee of International Shipowners Reinsurance Co SA
- Vice-Chairman of José de Mello Imobiliária SGPS SA

EDUCATION:

- BSc in Mechanical Engineering from Instituto Superior Técnico de Lisboa
- Certificate in strategic management and company boards
- Holder of a grant of Junta de Energia Nuclear

JORGE SANTOS

Born: 1951



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis S.A.
- Chairman of the Audit and Control Committee of EDP Renováveis SA
- Current positions in companies outside EDPR and EDP group of companies:
- Full Professor of ISEG, University of Lisbon
- Director at “Fundação Económicas”
- Member of the “Conselho Diretivo” of the “Fundação do Centro Cultural de Belém”
- Coordinator of the Master Program in Economics of ISEG

MAIN POSITIONS IN THE LAST FIVE YEARS:

- President of the Economics Department of Instituto Superior de Economia e Gestão of the Universidade de Lisboa (ISEG)
- President of the General Assembly of IDEFE

OTHER PREVIOUS POSITIONS:

- Coordinator of the committee for evaluation of the EC Support Framework II
- Member of the committee for the elaboration of the ex-ante evaluation of the EC Support Framework III. From 1998 to 2000
- Chairman of the research unit “Unidade de Estudos sobre a Complexidade na Economia (UECE)”
- Chairman of the scientific council of Instituto Superior de Economia e Gestão (ISEG) of the Universidade de Lisboa
- Coordinator of the committee for the elaboration of the Strategic Programme of Economic and Social Development for the Peninsula of Setúbal

EDUCATION:

- Degree in Economics from Instituto Superior de Economia e Gestão
- Master degree (MSc) in Economics from the University of Bristol
- Ph.D. in economics from the University of Kent
- Doctorate Degree in Economics from the Instituto Superior de Economia e Gestão of Universidade de Lisboa



MANUEL MENÉNDEZ

Born: 1959



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis SA
- Chairman of the Board of Directors of Hidroeléctrica del Cantábrico SA
- Current positions in companies outside EDPR and EDP group of companies:
- CEO of Liberbank SA

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Chairman and CEO of Liberbank SA
- Chairman of Banco de Castilla-La Mancha
- Chairman of Cajastur
- Chairman of Hidroeléctrica del Cantábrico SA
- Chairman of Naturgás Energía Grupo SA
- Representative of Peña Rueda, SL in the Board of Directors of Enagas SA
- Member of the Board of Confederación Española de Cajas de Ahorro (CECA)
- Member of the Board of UNESA

OTHER PREVIOUS POSITIONS:

- Member of the Board of Directors of EDP Renewables Europe SLU
- University Professor in the Department of Business Administration and Accounting at the University of Oviedo

EDUCATION:

- BSc in Economics and Business Administration from the University of Oviedo
- PhD in Economic Sciences from the University of Oviedo

GILLES AUGUST

Born: 1957



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis SA
- Current positions in companies outside EDPR and EDP group of companies:
- Member of the Board of Fondation Chirac
- Lawyer and founder of August Debouzy Law Firm
- Lecturer at École Supérieure des Sciences Economiques et Commerciales, at Collège de Polytechnique and at CNAM (Conservatoire National des Arts et Métiers)

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Lawyer and founder of August Debouzy Law Firm

OTHER PREVIOUS POSITIONS:

- Lawyer at Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey Law Office in Washington DC
- Associate and later became Partner at Baudel, Salés, Vincent & Georges Law Firm in Paris
- Partner at Salés Vincent Georges
- Knight of the Légion d'Honneur and Officer in the Ordre National du Mérite

EDUCATION:

- Master in Laws from Georgetown University Law Center in Washington DC (1986)
- Post-graduate degree in Corporate Law from University of Paris II Phantéon, DEA (1984)
- Master in Private Law from the same University (1981)
- Graduated from the École Supérieure des Sciences Economiques et Commerciales (ESSEC)



ACÁCIO PILOTO

Born: 1957



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis SA
- Member of the Nominations and Remunerations Committee of EDP Renováveis SA
- Member Related-Party Transactions Committee of EDP Renováveis SA
- Current positions in companies outside EDPR and EDP group of companies:
- Member of the Supervisory Board and Chairman of the Risk Committee of Caixa Económica Montepio Geral

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Member of the Board of Directors and Member of the Audit Committee of INAPA IPG SA
- Millennium BCP General Manager responsible for the Asset Management business
- CEO of Millennium Gestão de Activos SGFIM
- Chairman of Millennium SICAV
- Chairman of BII International

OTHER PREVIOUS POSITIONS:

- International Division of Banco Pinto e Sotto Mayor
- International and Treasury Division of Banco Comercial Português
- Head of International Corporate Banking
- Group Treasurer and Head of Capital Markets of Millennium BCP Seconded to the Groups Subsidiary in charge of Asset Management, AF Investimentos, joining its Executive Committee and acting as Chairman of the following group companies: AF Investimentos, Fundos Mobiliários; AF Investimentos, Fundos Imobiliários; BPA Gestão de Patrimónios; BCP Investimentos International; AF Investimentos International and Prime International and member of the Executive Committee
- Executive Board Member of BCP - Banco de Investimento, in charge of Investment Banking
- Head of Treasury and Capital Markets of BCP – Banco de Investimento

EDUCATION:

- Law degree by the Law School of Lisbon University
- During 1984 and 1985 he was a scholar from the Hanns Seidel Foundation, Munich where he obtained a Post-Graduation in Economic Law by Ludwig Maximilian University
- Post- Graduation in European Community Competition Law by Max Planck Institut
- Trainee at the International Division of Bayerische Hypoteken und Wechsel Bank
- Professional education courses, mostly in banking and financial management, namely the International Banking School (Dublin, 1989), the Asset and Liability Management Seminar (Merrill Lynch International) and the INSEAD Executive Program (Fontainebleau)

ANTÓNIO NOGUEIRA LEITE

Born: 1962



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors
- Member of the Nominations and Remunerations Committee of EDP Renováveis SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Member of the Board at HipogesIberia--Advisory, SA
- Director of Sagasta, STC, SA
- Member of the Advisory Committee at Incus Capital Advisors
- Chairman of the Board, Embopar, SGPS, SA
- Chairman of the Board, Sociedade Ponto Verde, SA
- Vice-President of "Fórum para a Competitividade"
- Chairman of the Board at Forum Oceano

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Group Caixa Geral de Depósitos (Portugal's largest banking group)
- Vice-Chairman of the Executive Committee of Caixa Geral de Depósitos SA
- Chairman of the Board at Caixa Banco de Investimento SA, Caixa Capital SCR SGPS SA, Caixa Leasing e Factoring SA, Partang SGPS SA

OTHER PREVIOUS POSITIONS:

- Director of Soporcel SA (1997-1999)
- Director of Papercel SGPS SA (1998-1999)
- Director of MC Corretagem SA (1998-1999)
- Chairman of the Board, Lisbon Stock Exchange (1998-9)
- Secretary of State for Treasury and Finance and Alternate Governor (IMF, EBRD, EIB, WB)
- Member of the Economic and Financial Committee of the European Union
- Director of Brisal SA (2002-2011)
- Director of CUF, SGPS, SA (2002-2011)
- Director of CUF Químicos, SA (2005-2011)
- Director of Efacec Capital, SA (2005-2011)
- Director of Jose de Mello Saúde, SGPS, SA (2005-2011)
- Director of Jose de Mello Investimentos, SGPS, SA (2010-2011)
- Chairman of the Board of Directors, OPEX, SA (2002-2011)

EDUCATION:

- Degree, Universidade Católica Portuguesa, 1983
- Masters of Science in Economics, University of Illinois at Urbana-Champaign
- Ph.D. in Economics, University of Illinois at Urbana-Champaign



JOSÉ FERREIRA MACHADO

Born: 1957



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of Directors of EDP Renováveis S.A.
- Chairman of the Related-Party Transactions Committee of EDP Renováveis SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Vice Rector NOVA University Lisbon

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Pro Vice Chancellor and Dean of the Faculty of Business and Management of Regent's University London
- Dean NOVA School of Business and Economics
- Professor of Economics and Econometrics at Nova SBE
- Op-ed columnist at O Sol

OTHER PREVIOUS POSITIONS:

- Associate Dean at Nova SBE
- Consultant for the Research Department at Banco de Portugal
- Member of the Advisory Board of Instituto de Gestão de Crédito Público
- Visiting Assisting Professor at University of Illinois at Urbana Champaign
- Consultant at GANEC

EDUCATION:

- Degree in Economics by Universidade Técnica de Lisboa
- Agregação (Habilitation) in Statistics and Econometrics by Universidade Nova de Lisboa
- PhD in Economics by the University of Illinois at Urbana-Champaign

ALLAN J. KATZ

Born: 1947



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of EDP Renováveis S.A.
- Current positions in companies outside EDPR and EDP group of companies:
- Founder of the American Public Square
- Executive Committee Chair of the Academic and Corporate Board to ISCTE Business School in Lisbon Portugal
- Board member of the International Relation Council of Kansas City
- Board Member of the WW1 Commission Diplomatic Advisory Board
- Distinguished Professor, University of Missouri at Kansas City
- Creator of Katz, Jacobs and Associates, LLC (KJA)
- Frequent speaker and moderator on developments in Europe and on American Politics

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Ambassador of the United States of America to the Republic of Portugal

OTHER PREVIOUS POSITIONS:

- National Director of the Public Policy practice group at the firm of Akerman Senterfitt
- Assistant Insurance Commissioner and Assistant State Treasurer for the State of Florida
- Legislative counsel to Congressman Bill Gunter and David Obey
- General Counsel to the Commission on Administrative Review of the US House of Representatives
- Member of the Board of the Florida Municipal Energy Association
- President of the Brogan Museum of Art & Science in Tallahassee, Florida
- Board member of the Junior Museum of Natural History in Tallahassee, Florida
- First Chair of the State Neurological Injury Compensation Association
- Member of the State Taxation and Budget Commission
- City of Tallahassee Commissioner

EDUCATION:

- BA from UMKC in 1969
- JD from Washington College of Law at American University in Washington DC in 1974



FRANCISCA GUEDES DE OLIVEIRA

Born: 1973



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of EDP Renováveis S.A.
- Member Related-Party Transactions Committee of EDP Renováveis SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Associate Dean at Católica Porto Business School (responsibility of Faculty Management)
- Associate Dean for the Master Programmes at Católica Porto Business School
- Member of the Social and Economic Council

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Coordinator of the MSc programme in Business Economics at Católica Porto Business School
- Coordinator of the seminars in economics at the Master of Public Administration at Católica Porto Business School
- Coordinator of the PHD in Economics at the Universidade Católica de Moçambique

OTHER PREVIOUS POSITIONS:

- Assistant Professor at Católica Porto Business School
- Researcher at the National Statistics Institute

EDUCATION:

- PHD in Economics at Nova School of Business and Economics
- Master in Economics at Faculdade de Economia da Universidade do Porto
- Undergraduate degree in Economics at Faculdade de Economia da Universidade do Porto
- PHD scholarship from Fundação para a Ciência e Tecnologia

FRANCISCO SEIXAS DA COSTA

Born: 1948



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- Member of the Board of EDP Renováveis S.A.
- Member of the the Nominations and Remunerations Committee of EDP Renováveis S.A.

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- Member of the Consultative Council of the School of Economics, University of Coimbra
- Member of the Consultative Council of Janus - Journal of International Relations
- Member of the General Council of FCSH, Universidade Nova de Lisboa
- Chairman of the Consultative Council of the Calouste Gulbenkian Foundation, Delegation in Paris
- Independent Non-Executive Director of Jeronimo Martins SGPS SA
- Member of the Committee on Corporate Governance and Corporate Responsibility of Jerónimo Martins SGPS SA
- Member of the Strategic Council, Mota-Engil SGPS SA
- Independent Non-Executive Director, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee of Mota-Engil Africa SA
- University professor, Universidade Autónoma, Lisbon, Portugal

MAIN POSITIONS IN THE LAST FIVE YEARS:

- Ambassador to France and to Monaco (non-resident)
- Permanent Representative to UNESCO, Paris
- Executive Director of the North-South Centre, Council of Europe
- President of the General Council of Trás-os-Montes e Alto Douro University (UTAD)

OTHER PREVIOUS POSITIONS:

- Career diplomat, Portuguese Ministry of Foreign Affairs Embassies in Oslo, Luanda and London
- Director, Planning and Programming Office, Institute for Economic Co-operation, Secretary of State for Development Co-operation, Lisbon
- Portuguese chief negotiator of Lomé IV convention
- Deputy Director-General for European Affairs, Ministry of Foreign Affairs, Lisbon
- Secretary of State for European Affairs (1995/2001), Portuguese government, Lisbon
- Head of Portuguese ministerial delegations to the Council of Europe, the Organisation for Economic and Development Co-operation (OECD), the Western European Union (WEU), the Schengen Agreement and the World Trade Organisation
- Portuguese chief negotiator of the EU Amsterdam Treaty
- President of the Committee of Ministers of the Schengen Agreement
- President of the Council of Ministers of the EU Internal Market
- Portuguese chief negotiator of the EU Nice Treaty
- Permanent Representative to the United Nations, New York, vice-president of ECOSOC, chairman of the Economic and Financial Committee of the General Assembly, vice-president of the General Assembly
- Permanent Representative to the Organization for Security and Co-operation in Europe, Vienna, chairman of the OSCE Permanent Council
- Ambassador to Brazil, Brasília

EDUCATION:

- Degree in Political and Social Sciences, Lisbon University



SECRETARY OF THE BOARD OF DIRECTORS

EMILIO GARCÍA-CONDE NORIEGA

Born: 1955



CURRENT POSITIONS IN EDPR OR EDP GROUP OF COMPANIES:

- General Secretary and General Counsel of EDP Renováveis SA
- Member/Chairman and/or Secretary of several Boards of Directors of EDPR's subsidiaries in Europe
- Compliance Officer of EDP Renováveis SA

CURRENT POSITIONS IN COMPANIES OUTSIDE EDPR AND EDP GROUP OF COMPANIES:

- (none)

MAIN POSITIONS IN THE LAST FIVE YEARS:

- General Counsel of Hidrocantábrico and member of the management committee
- General Secretary and General Counsel of EDP Renováveis SA
- Member and/or Secretary of several Board of Directors of EDPR's subsidiaries in Europe

OTHER PREVIOUS POSITIONS:

- Legal Counsel of Soto de Ribera Power Plant (consortium comprising Electra de Viesgo, Iberdrola and Hidrocantábrico)
- General Counsel of Soto de Ribera Power Plant
- Chief of administration and human resources of the consortium
- Legal Counsel of Hidrocantábrico

EDUCATION:

- Law Degree from the University of Oviedo

edp renováveis 



EDP
Renováveis, S.A.
and subsidiaries

Consolidated Annual Accounts

31 December 2017

Consolidated Directors' Report

2017

(With Independent Auditor's Report Thereon)



KPMG Auditores, S.L.
Ventura Rodríguez, 2
33004 Oviedo

Independent Auditor's Report on the Consolidated Annual Accounts

To the shareholders of EDP Renováveis, S.A.:

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of EDP Renováveis, S.A. (the "Parent") and subsidiaries (the "Group") which comprise the consolidated statement of financial position at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, plant and equipment and goodwill (Euros 13,185,201 thousand and Euros 1,297,226 thousand, respectively): Recoverable amount
See notes 15 and 17 to the consolidated annual accounts

| <i>Key Audit Matter</i> | <i>How the Matter was Addressed in Our Audit</i> |
|--|---|
| <p>The recovery of property, plant and equipment and goodwill depends on sufficient cash flows being obtained in future business.</p> <p>Most of the Group's property, plant and equipment pertain to assets to generate renewable energy in the areas in which it operates: Europe, North America and Brazil. Goodwill is also allocated to these areas (Euros 636,089 thousand to Europe and Euros 659,144 thousand to North America, mainly).</p> <p>The recoverable amount of property, plant and equipment and goodwill are directly affected by the energy regulatory framework in each of the countries in which the Group operates. Every year the Group estimates the recoverable amount using valuation techniques which require judgement by the Directors and the use of key assumptions and estimates, such as future energy sale prices, inflation rates, discount rates, country risk rates, amongst others. Due to the uncertainty associated with these estimates, this has been considered a key audit matter.</p> | <p>Our audit procedures included, inter alia, an assessment of the design and implementation of the relevant controls related to the calculation of the recoverable amount of renewable energy assets.</p> <ul style="list-style-type: none"> - Understanding of the process for determining and calculating of recoverable amount. - Testing of the design and implementation of the key controls in the process for calculating the recoverable amount of property, plant and equipment and goodwill. <p>Our substantive procedures on the recoverable amount of the property, plant and equipment and goodwill mainly consisted of:</p> <ul style="list-style-type: none"> - With the help of our valuation specialists, we have assessed the reasonableness of the key assumptions and methodology used, comparing the information considered in the model with the sector, economic and financial information available through external sources and with the Group's historical data. - Verification of whether the assumptions of the growth of cash flows are consistent with the plans approved by the Executive Committee and/or Board. <p>In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.</p> |

| Transactions with non-controlling interests See note 5 to the consolidated annual accounts | |
|---|--|
| <i>Key Audit Matter</i> | <i>How the Matter was Addressed in Our Audit</i> |
| <p>The Group's strategy is to sell non-controlling interests (typically 49%) in its wind energy projects to third parties.</p> <p>In 2017 49% of the subsidiary EDPR PT-Parques Eólicos, S.A. was sold to a third party for Euros 247.7 million. The accounting of this transaction is complex and requires the analysis of the control still held by the Group following the transaction (IFRS 10) and the accounting and valuation of non-controlling interests (IAS 32 capital or debt instruments).</p> | <p>Our audit procedures included, inter alia, an assessment of the relevant controls related to the process of recognising non-controlling interest sales transactions:</p> <ul style="list-style-type: none"> - Understanding of the transaction process with non-controlling interests. - Testing of the design and implementation of the key controls in the transaction process with non-controlling interests. <p>Our substantive procedures</p> <ul style="list-style-type: none"> - Analysis of sale-purchase agreements and agreements between shareholders, related to the transaction. - Review of the memorandum analysing the transaction carried out by the Company. - Evaluation of compliance with the accounting criteria for this type of transactions and the recognition in the financial statements. <p>We have also assessed whether the disclosures in the consolidated annual accounts regarding the transaction and the aforementioned process meet the requirements of the applicable financial reporting framework.</p> |

Valuation and classification of derivative financial instruments (Euros 46,620 and Euros 384,397 thousand)

See note 35 to the consolidated annual accounts

| <i>Key Audit Matter</i> | <i>How the Matter was Addressed in Our Audit</i> |
|--|---|
| <p>The Group is exposed to various financial risks including changes in energy prices, exchange rates and interest rates. Management used financial instruments to minimise the impact of these risks, in coordination with EDP - Energías de Portugal, S.A.'s financial department. The Group also hedges the net investments of its subsidiaries outside Spain.</p> <p>Derivatives designated as accounting hedges must meet strict criteria with respect to documentation and the effectiveness of the hedge on inception.</p> <p>The fair value of derivative financial instruments is determined using valuation techniques that take into consideration unobservable market data or complex pricing models that require a high degree of judgement, as, for example, with instruments valued using Level 2 variables (IFRS 13).</p> <p>Given the complexity of complying with the legislation in force governing the identification, measurement and classification of hedging instruments and the correct measurement of their effectiveness, we have considered this to be a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - An assessment of the relevant controls related to the process of identifying, valuing and classifying the derivative financial instruments. - Testing of the design and implementation of the key controls in the derivative financial instrument process. <p>Our substantive procedures on derivative financial instruments mainly consisted of:</p> <ul style="list-style-type: none"> - Performing substantive tests to evaluate whether a sample of derivative financial instruments has been correctly measured. Our specialists in financial instruments were involved in these procedures. - Comparison of observable inputs in reasonable valuation models, such as interest rates, price curves and exchange rates, using externally available market data, and evaluating whether the valuation models and methodology used by the Group are in line with generally accepted practice. - For instruments where the valuation of input is not observable we have selected a sample and, with the assistance of our specialists in financial instruments, we have evaluated the assumptions and models used by the Group, considering alternative methods available and sensitivities to key factors. |



| | |
|--|---|
| | <p>- We assessed the reasonableness of the measurement of the effectiveness of the accounting hedges and whether the outcome is within the range defined by accounting legislation.</p> <p>Furthermore, we have evaluated whether the information disclosed in the notes to the consolidated annual accounts in this regard is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.</p> |
|--|---|

Other Information: Consolidated Directors' Report

Other information solely comprises the 2017 Consolidated Directors' Report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

A handwritten signature in blue ink, appearing to read 'E. Bilbao', with a long, sweeping underline.

Estíbaliz Bilbao Belda
On the Spanish Official Register of
Auditors ("ROAC") with No. 16.109

27 February 2018



KPMG Auditores, S.L.
Ventura Rodríguez, 2
33004 Oviedo

Audit report on the system of internal control over financial reporting

To the Shareholders of
EDP Renováveis, S.A.

Further to your request, and in accordance with our engagement letter dated 4th September 2017, we have examined the System of Internal Control over Financial Reporting of EDP Renováveis, S.A. (the Parent) and subsidiaries (the Group). This system is based on the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The Board of Directors of the Company and Senior Management of the Group are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control over financial reporting, evaluating its effectiveness and developing improvements to that system, and defining the content of and preparing the accompanying information concerning the System of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Group's System of Internal Control over Financial Reporting based on our examination.

An entity's internal control over financial reporting is designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Group's consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the consolidated annual accounts. In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

We conducted our examination in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issue of reasonable assurance reports. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group maintains, in all material respects, effective internal control over financial reporting. Our work included obtaining an understanding of the Group's System of Internal Control over Financial Reporting, testing and evaluating the design and operating effectiveness of that system, and performing such other procedures as were considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Due to the limitations inherent in any internal control system, there is always a possibility that the System of Internal Control over Financial Reporting may not prevent or detect misstatements or irregularities that may arise as a result of errors of judgement, human error, fraud or misconduct. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting at 31 December 2017, in accordance with the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

Our examination did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain. As such, in this report we do not express an audit opinion on the accounts under the terms provided in the above-mentioned legislation. However, on 27 February 2018 we issued our unqualified audit report on the consolidated annual accounts of the Group for 2017, in accordance with the legislation regulating the audit of accounts in Spain.

KPMG Auditores, S.L.



Estíbaliz Bilbao

27 February 2018

Report from Management concerning responsibility for
the System of Internal Control over Financial Reporting

The board of directors and management are responsible for establishing and maintaining an adequate System of Internal Control over Financial Reporting (SCIRF).

The SCIRF of EDP Renováveis Group is a set of processes designed to provide reasonable assurance as to the reliability of the financial information and the preparation of the consolidated annual accounts for external purposes, in accordance with the applicable financial information reporting framework.

Due to the limitations inherent to all internal control systems, it is possible that the system of internal control over financial reporting does not prevent or detect all errors that could occur and may only provide reasonable assurance with respect to the presentation and preparation of the consolidated annual accounts. Furthermore, extrapolating the effectiveness assessment to future years entails a risk that controls may cease to be adequate due to changing conditions or erosion in the level of compliance with policies and procedures.

Management has assessed the effectiveness of the SCIRF at 31st December 2017 based on the criteria established in the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As a result of this assessment, and based on the aforementioned criteria, management concludes that at 31st December 2017 EDP Renováveis Group had an effective system of internal control over financial reporting.

The SCIRF of EDP Renováveis Group at 31st December 2017 has been audited by the independent auditors KPMG Auditores, S.L., as indicated in their report included in the Annual Corporate Governance Report.

Chief Executive Officer

Board Member

27 February 2018

Members of the Board of Directors of the Company EDP Renováveis, S.A.

DECLARE

To the extent of our knowledge, the information referred to in sub-paragraph a) of paragraph 1 of Article 245 of Decree-Law no. 357-A/2007 of October 31st and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of EDP Renováveis, S.A. and the companies included in its scope of consolidation and the management report fairly presents the evolution of business performance and position of EDP Renováveis, S.A. and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, February 26th, 2018.

António Luís Guerra Nunes Mexia

João Manuel Manso Neto

João Paulo Nogueira da Sousa Costeira

Duarte Melo de Castro Belo

Miguel Ángel Prado Balboa

Nuno Maria Pestana de Almeida Alves

Acácio Jaime Liberado Mota Piloto

António do Pranto Nogueira Leite

João Manuel de Mello Franco

João José Belard da Fonseca Lopes Raimundo

Jorge Manuel Azevedo Henriques dos Santos

José António Ferreira Machado

Gilles August

Manuel Menéndez Menéndez

Allan J. Katz

Francisca Guedes de Oliveira

Francisco Seixas da Costa