



## **HUMAN RIGHTS MONITORING PROGRAM**

**EDP Group**

**Report of assessment on potential impacts  
and respect for Human and Labour Rights**

**2016**



## HUMAN RIGHTS MONITORING PROGRAM

### Report of assessment on potential impacts and respect for Human and Labour Rights – 2016

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## 1. EDP Commitments on Human Rights and Labour practices

Within EDP Group's human rights policy and the application of the Guiding Principles on Business and Human Rights (Ruggie framework) of the UN Human Rights Council, the EDP Group has adopted, in the Code of Ethics, in the Principles of Sustainable Development and on the Statement of the Executive Board of Directors on respect for Human Rights, the following commitments:

- Act in full compliance with the laws and regulations of the regions where it operates, with integrity and good governance, promoting respect for human rights and decent labour practices in its sphere of influence and in the value chain, including among its employees, partners, suppliers and customers;
- Respect the Universal Declaration of Human Rights, the Conventions of the International Labour Organization, the United Nations Global Compact and the UN Guiding Principles on Business - Ruggie Framework;
- Be against arbitrary detention, torture or execution and in favour of the freedoms of conscience, religion, organization, association, opinion, expression and the right to privacy and property;
- Not employ child or forced labour nor tolerating such practices by third parties with whom EDP establishes relationships;
- Respect the freedom of trade union association and recognise the right to collective bargaining;
- Guide labour policies and procedures to 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;
- Give priority to employees' safety, health and wellbeing and ensure the development of appropriate occupational health and safety management systems;
- Respect, promote and ensure dignified work conditions and not tolerate acts of psychological violence and moral coercion;
- Regularly provide information and training on human rights and labour practices to employees, partners and the value chain - suppliers and customers.
- Maintain a relationship of proximity with the communities in the regions where it operates, engaging in regular, open and frank dialogue, seeking to know their needs, respecting their cultural integrity and looking to contribute to improving the living conditions of local population, recognising the rights of ethnic minorities and indigenous peoples;
- Respect the precautionary principle when its activities may result in serious and irreversible damage to life or human health or to the environment, which although uncertain are scientifically plausible, taking measures to avoid or mitigate these effects.

It is also EDP's public commitment to maintain a Monitoring Program to respect Human and Labour Rights, in order to identify risks and action to take so as to Protect, Respect and Remedy any negative impacts arising from its business and activities.

EDP's Human Rights and Labour practices Commitments apply to all EDP Group Business Units and Companies, to investee companies and partnerships over which the Group has management control, and to all its employees and managers, as well as its service providers entitled to act on EDP's behalf. For the remaining investee companies, partners and stakeholders in the supply chain, EDP is committed to promoting the alignment of the corresponding policies, strategies and practices with our commitments to respect Human and Labour Rights.

In order to ensure compliance with the above commitments, the EDP Group develops adequate monitoring actions in all its Business Units and new projects or ventures, including mergers and



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acquisitions, as well as with respect to partners and the value chain - suppliers, service contractors, joint ventures, agents and customers.

The purpose of this monitoring process is to verify effective practices, assess the level of compliance with the principles and commitments undertaken, particularly in the groups identified as most vulnerable, as well as to identify the potential risks, develop the actions necessary to prevent and manage them and, if unavoidable, develop the necessary mitigation initiatives or promote their remedy and repair.

The Program focuses on the human rights considered in the official IFC – International Finance Corporation list:

#	Human Rights – List indicated by the IFC/Ruggie Framework
1.	Right to life
2.	Right to liberty and security
3.	Right not to be subjected to slavery, servitude or forced labour
4.	Right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment
5.	Right to recognition as a person before the law
6.	Right to equality before the law, equal protection of the law, non-discrimination
7.	Right to freedom from war propaganda, and freedom from incitement to racial, religious or national hatred
8.	Right to access to effective remedies
9.	Right to a fair trial
10.	Right to be free from retroactive criminal law
11.	Right to privacy
12.	Right to freedom of movement
13.	Right to seek asylum from persecution in other countries
14.	Right to have a nationality
15.	Right of protection for the child
16.	Right to marry and form a family
17.	Right to own property
18.	Right to freedom of thought, conscience and religion
19.	Right to freedom of opinion, information and expression
20.	Right to freedom of assembly
21.	Right to freedom of association
22.	Right to participate in public life
23.	Right to social security, including social insurance
24.	Right to work
25.	Right to enjoy just and favourable conditions of work
26.	Right to form and join trade unions and the right to strike
27.	Right to an adequate standard of living
28.	Right to health
29.	Right to education
30.	Right to take part in cultural life, benefit from scientific progress, material and moral rights of authors and inventors
31.	Right of self-determination
32.	Right of detained persons to humane treatment
33.	Right not to be subjected to imprisonment for inability to fulfill a contract
34.	Right of aliens to due process when facing expulsion
35.	Rights of minorities



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## 2. Purpose of this document

The purpose of this Report is to summarize and evaluate the results of the Human Rights Monitoring Program 2016 edition, in a consolidated manner for the EDP Group, comprising all facilities and in all geographical areas where it operates.

As part of a policy of transparency in relation to its different stakeholders, EDP regularly reports on the essential elements of its process for the management and monitoring of its human and labour rights commitments. In particular, EDP follows the OECD Guidelines for Multinational Enterprises and the reporting standards of the Global Reporting Initiative. In this context, most of the information and the essential aspects of the conclusions contained in this Report were already been published in other documents of the EDP Group or its companies, namely the 2016 Annual Report, the 2016 Social Report and the Report of the EDP Group Ethics Ombudsman.

It should be noted that the topics "Human Rights" and "Diversity/Equal Opportunities" appear in the materiality matrix published in EDP's 2016 Annual Report.



The materiality matrix, as shown above, is a result of a systematic process of stakeholders' consultation and internal reflection. The themes identified in the materiality matrix are particularly followed with attention focus, actions and performance reporting.

Last year, EDP publicly released the Report on the Human Rights Monitoring Program carried out in 2015.

Thus, in the following points are presented a summary of the results of the monitoring process carried out in 2016, the identification of risk areas, in terms of sectors of activity and geography, as well as the



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salient human rights issues and the interested parties or groups identified with greater sensitivity to possible impacts.

Also, this report synthesizes the needs of deepening and of action plans or measures of improvements in the processes of operation and monitoring of compliance with the commitments of the EDP Group regarding the respect for human rights and Labour practices and indicates the main terms of the new edition of the Monitoring Program for 2017, covering all Companies, facilities and direct activities and, as much as possible, indirect activities.

### **3. Human Rights Monitoring Program - summary of the work performed in 2016**

In 2016, the process of assessing respect for human rights by the EDP Group, within the Ruggie framework, was based on the Human Rights Monitoring Program launched jointly by the Sustainability and the Internal Audit and Compliance Departments, through a jointly regulation set out on March 29.

Following the preparation of the materials and the annual planning, the 2016 edition of the EDP Group's Human Rights Monitoring Program started with a Training Activity attended by the EDP Group's Company and Business Unit officers involved in the Human Rights Monitoring Program in Portugal, Spain and Brazil, as well as by the EDP's Sustainability Director and Ethics Ombudsman.

At this Training Activity, in addition to the overall incorporation of Human Rights within EDP's Ethics system and the Sustainability vision, the practices and approaches of different geographies (Portugal, Spain and Brazil) were presented and discussed, including those with respect to the supply chain. The terms of development of the Monitoring Program in 2016 were also explained.

In 2016, the self-diagnosis by the EDP Group's Companies falling within its consolidation scope aimed to assess the effectiveness (including the extension, depth, adequacy of the scope and of the procedures) of the processes of identification, prevention and treatment of potential impacts on Human Rights arising from its activities and decisions, as well as those with its interested parties. The self-diagnosis exercise was additionally supported by an assessment tool provided by the Danish Institute for Human Rights, through a Questionnaire addressed to the Companies covered by the Program, and by the Monitoring Guide that was drawn up in accordance with the principles of the Ruggie framework, the consolidation of which serves as a basis for the EDP Group's overall assessment and this Report.

In line with the Monitoring Guide, the self-diagnosis was based on the response to the applicability to EDP, the identification of practices and approaches, and the verification of respect for Human Rights within the scope of responsibility of the managers of each EDP Group company and business unit, relating to the 35 fundamental rights (cf. items 1 to 35 of the table transcribed above) in the list indicated by IFC, according to the methodology provided in the UN Guiding Principles on Business and Human Rights.

The companies and business units covered by the Program corresponds to almost all (99.9%) the employees of the EDP Group in 2016, being the responses and the dialogue assured by representatives appointed by the Companies' management, all with managerial or advisory functions appropriate for the assessment of human rights and labour issues, as well as other topics within the scope of the 10 Global Compact Principles.



## 4. Analysis of responses in 2016

### 4.1. Applicability to the Companies of the EDP Group

The assessment phase was carried out with the use of an Assessment Form drawn up in accordance with the list of 35 Human Rights indicated by the IFC, provided in the methodology of the UN Human Rights Council – Guide to Human Rights Impact Assessment and Management, and with the Global Compact Assessment Tool provided by the Danish Institute for Human Rights, which were consolidated globally within the EDP Group. Considering the set of human rights, were selected those applied within the framework of the relations established by EDP or related activities, excluding only those to claim or exercise exclusively from the State.

The exposure in terms of applicability to EDP on the respect for Human Rights and Labour Practices is 99.9%<sup>1</sup> relative to the following principles under the Ruggie framework: the right to life (*item 1*); to liberty and security (*item 2*); right not to be subjected to slavery, servitude or forced labour (*item 3*); right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment (*item 4*); to equality before the law, equal protection of the law, and non-discrimination (*item 6*); to access to effective remedies (*item 8*); to a fair trial (*item 9*); to privacy (*item 11*); to freedom of movement (*item 12*); to the protection for the child (*item 15*); to marry and form a family (*item 16*); to own property (*item 17*); to freedom of thought, conscience and religion (*item 18*); to freedom of opinion, information and expression (*item 19*); to freedom of assembly (*item 20*); to freedom of association (*item 21*); to participate in public life (*item 22*); to social security, including social insurance (*item 23*); to work (*item 24*); to enjoy just and favourable conditions of work (*item 25*); to form and join trade unions and the right to strike (*item 26*); to an adequate standard of living (*item 27*); to health (*item 28*); to education (*item 29*); to take part in cultural life, benefit from scientific progress, material and moral rights of authors and inventors (*item 30*); to self-determination (*item 31*) and rights of minorities (*item 35*).

### 4.2. Assessment and approaches

In addition to the forms mentioned above, the Monitoring Program consists of identifying practices and approaches - Due Diligence - of the Companies and activities carried out in all geographies, according to the Ruggie Principles adopted by the Human Rights Council, within the "Protect, Respect and Remedy" framework of the UN – the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework" - cf. [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf). A specific Guide was prepared for this purpose, to periodically monitor and verify the adequacy of the actions and decisions in respect of Human Rights. This document is also available on EDP's website.

For the purposes of applying the Human Rights Monitoring Program, the concept of "Due Diligence" is that expressed by UN's Guiding Principles: "In the context of the Guiding Principles, human rights DUE DILIGENCE comprises an ongoing management process that a reasonable and prudent enterprise needs

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<sup>1</sup> The reference variable corresponds to the number of EDP Group employees in 2016. The small percentage not specifically covered is, however, covered in the EDP Group's Principles and Practices of respect for Human and Labour Rights, including the express application of the Code of Ethics and Diversity Policy - equality of gender, generations/ages, nationalities and inclusion.



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to undertake, in the light of its circumstances (including sector, operating context, size and similar factors) to meet its responsibility to respect human rights.”

The main results of the work carried out, both in the Monitoring of direct activities of the EDP Group of companies and in the supply chain, where relevant, including the impact on a set of risks in the social and human rights dimension, are published in the 2016 EDP Annual Report.

The EDP Group's Human Rights Monitoring Program is subject to internal audit and oversight under the Compliance function.

#### 4.3. Responsibility of each company to respect Human Rights

With respect to the companies belonging to the EDP Group, none present any exposure to risk regarding the fundamental Human and Labour Rights applicable to EDP's activities.

Business Units and Companies	Sector of activity
EDP	Holding, corporate services
UNGE	Energy Trading
EDP Produção	Electricity production
EDP Distribuição	Electricity distribution
EDP Serviço Universal	Electricity supply and trading
EDP Comercial	Electricity supply and trading and energy services
EDP Gás	Natural gas distribution
EDP Renováveis	Electricity production, renewable sources
EDP Soluções Comerciais	Support/Back office services
EDP Valor	Support and management/Back office services
Labelec	Laboratories, technology and energy services
Sãvida	Health services
EDP Internacional	Energy services, international
EDP Espanha (HC/Natargas)	Energy production, distribution, supply
EDP Brasil	Electricity production, distribution and supply

Corrective actions and reinforcement of management systems were also identified in order to strengthen that activities are undertaken with respect for human rights (due diligence). This was particularly done by informing the interested parties about the economic, environmental and social impacts and risks of the EDP Group's activities and projects that could have a significant influence on them. This included listening to stakeholders; respecting their opinions; treating them fairly, without discrimination; respecting diversity and their legal rights; as well as conducting socio-environmental feasibility studies; public hearings with the participation of impacted communities and interested parties; and Basic Environmental Programs, including social and environmental mitigation and compensatory activities.

Ongoing, systematically throughout the year and across multiple geographies, EDP holds proximity and procedure improvement programs (EDP + perto; COMPRO) aiming relations of respect and trust with interested parties, both internal and external, including working, training and sensitization on issues of ethics and human rights.

Subsequent to the Monitoring Program and in order to continue and strengthen its scope and effectiveness, the participants' feedback was revisited in order to incorporate suggestions for improvements in the process of self-diagnosis and the engagement of companies and business units of



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the EDP Group, to clarify, disseminate and encourage the approach of monitoring respect for Human Rights and Labour Practices.

This is the second consecutive year in which the EDP Group is conducting the Monitoring Program. Apart from identifying different opportunities for the improvement of the practices and approaches adopted by different companies and countries and their sharing and comparative analysis, which is promoted by periodic monitoring, it is recommended that awareness and training on Human Rights should be strengthened, either in specific activities or in the general framework of Ethics and Sustainability training currently underway in the EDP Group. The focus will particularly be on the relationship with partners, service contractors and suppliers. In this context, several improvement activities or plans currently underway in the EDP Group of companies specifically include training and awareness initiatives on Human and Labour Rights issues, as well as other issues related to the 10 Global Compact Principles, or even inclusion of these aspects in individual performance assessment (KPI) processes and individual development plans.

By implementing the Program, in addition to the identification of opportunities for improvement in terms of practices and approaches in the different unit businesses and geographies as well as its sharing and comparative analysis, which is allowed by periodic monitoring, it is also recommended the strengthening of awareness-raising and training in Human Rights, either on specific actions or in the general framework of Ethics training and sustainability ongoing in the EDP Group. In particular, in the context of the relationship with partners, service providers and suppliers.

In this framework, several actions or improvement plans contemplate specifically training and awareness-raising initiatives in human rights and labour issues, as well as other topics relating to the 10 principles of the Global Compact, or even its inclusion in the individual performance evaluation processes (KPI) and individual development plans.

## 5. Mapping areas of potential impacts on Human and Labour Rights

In line with the principles of action and with the monitoring carried out, the risk level is low and no Human Rights violations were detected. However, the areas and the most sensitive groups are identified, to better prevent impacts and ensure adequate early actions.

The activities most exposed to possible impacts on Human and Labour Rights are those related to construction in general, particularly at the large electricity production projects. In regional terms (Brazil and Mexico) and in terms of activities (construction of infrastructures), the exposure to risk is recognized in some aspects, as mentioned in this Report.

Mapping risk exposure: areas, countries and sensitive segments - salient human rights issues:

Activity	Country	Relevant Segments/Topics
Production	Europe	Displacement of people/Indigenous peoples
Distribution	North America	Children/Child Labour/Forced Labour
Marketing	South America	Health and safety at work
Services	Other regions	Gender equality

Key:

Low exposure

Moderate exposure



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The potential impacts identified were subject to adequate intervention to protect Human and Labour Rights and to minimize possible negative effects.

#### 5.1. Activities

Electricity generation, and especially large-scale construction, are activities with greater sensitivity and exposure to possible impacts on human rights. In 2016, EDP was involved in the construction of large hydroelectric projects in Portugal and Brazil.

In the EDP Group, 100% of the conventional power plants (electricity generation facilities: 89 in Portugal, 17 in Brazil, and 13 in Spain) have prevention and safety plans and contingency plans, as well as Safety Programs in relation to third parties, covering multiple aspects related to human rights. These plans and their implementation are periodically and systematically monitored.

A monitoring plan was also established for a set of facilities and power plants. In Brazil, in particular, EDP proactively follows the guidelines of the National Indian Foundation (Funai), including respect for all aspects of human rights, with interest in listening to communities in a way that does not harm the local culture. The action and communication plan prepared under the PBAI - Basic Indigenous Environmental Plan in use at the São Manoel hydroelectric generation facility is an example of this. It includes the translation of a package of information materials to the language used by the local population. The Cachoeira Caldeirão hydroelectric generation facilities were also specifically monitored through the "Cachoeira Caldeirão Socio-environmental Programs" covering an area of 2,600 hectares, including 10 hectares in the urban area of Porto Grande municipality. 753 households received compensation and 57 socio-environmental intervention programs were implemented, particularly to support and remedy the displacement of people.

#### 5.2. Geographical scope

In terms of regions, the Iberian Peninsula and Brazil are the regions with the highest concentration of EDP activities in the various sectors of the energy business – generation, distribution, supply, trading and energy services, including 11,384 employees (~ 95% of the total) and ~ 10 million electricity customers, ~ 1.5 million gas customers, virtually all of the EDP Group's final consumers.

In the USA and Canada, as well as in several European countries, EDP also carries out activities of significant scope, but essentially only in the renewable energy sector, with less intensive exposure to possible impacts on human rights.

In other regions, particularly in other countries of South America, EDP also carries out activities in new projects.

#### 5.3. Salient Human Rights issues and segments

A set of themes specifically being monitored by the EDP Group is summarized below, taking into account the nature of the activities carried out and the potential impacts on human rights and stakeholders.

- Health and safety at work



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EDP has workplace safety and prevention systems certified under OSHAS 18001 international standards, covering facilities corresponding to 94% of installed electrical power. The goal is to achieve 100% of this indicator by 2020, including critical service providers.

There was a reduction in the number of fatal accidents (0 in 2016, compared to 1 in 2015) in the EDP Group, as well as in the number of fatal accidents involving third parties (7 in 2016 vs. 16 in 2015) - cf. 2016 Social Report.

- Gender equality (within the scope of Diversity and Inclusion)

In accordance with the EDP Group's Diversity Policy and the establishment of an internal structure dedicated to Diversity, the Diversity & Inclusion culture has been strengthened in four areas:

Gender - cultural change for equality, with focus on the impacts on indicators and reflections on defined goals. In addition to improvements in remuneration indicators (male/female ratio), the proportion of women in EDP Group companies also increased from 23% to 24% – the target for 2020 is to have a proportion of 27% of women employees, and for 2018 is to have 30% female representation on governing bodies, and an increase in the number of women in management positions. On the other hand, there is an improved balance in relation to new job candidates – 43% are women – and EDP has adopted a wide range of measures to rebalance equal opportunities, including the objective of revising the Diversity Policy and measuring the effectiveness of the measures to reduce current imbalances and their causes, such as training on "Unconscious Bias", aimed at human resources professionals and especially those who work in recruitment. A summary of these activities and indicators on Diversity, and in particular on Gender Equity – a topic on which EDP's attitude and performance has received internal, external and international recognition – is published in EDP's 2016 Social Report.

Disability – creation and strengthening of the conditions necessary for the inclusion of people with special needs. The goal is to achieve 2% of employees with special needs/disabilities.

Generations – to consider, in the decisions and in the management, the different needs of the several generations present in the EDP Group, promoting active dialogue and the transfer of knowledge.

Nationalities – promotion of a global fee and alignment in the way of working and communicating. For example, candidates from 100 nationalities are registered in the pool of new job candidacies.

- Children/Child labour/Forced labour

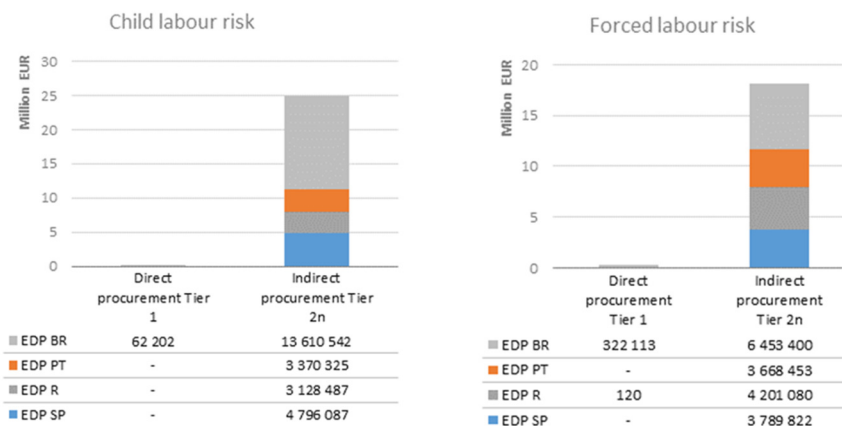
The concern with EDP's interested parties, especially in the supply chain, is well expressed in the values and commitments publicly adopted by EDP and also in its practices and in the normative documents that incorporate them, as well in the reporting documents – express prohibition of the use of Child labour, forced or illegal labour, which is also an indispensable requirement in the selection of suppliers, cf. EDP 2016 Social Report.

The tables below refer to the mapping of risks in the Supply Chain, regarding exposure to the risks of child labour and forced labour.



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*Value in euro*

The monitoring, analysis, and inspection activities confirm that EDP's direct and indirect activities have a low risk. However, in presence of the potential exposure to risks of human rights impacts, once the vulnerable segments have been identified, EDP has adopted appropriate measures to minimize the risk and its effective management, internally and with partners and the supply chain.

- Displacement of people/Indigenous people

This is an issue that is particularly susceptible to human rights impacts, in the working scenarios of large construction projects, especially when it involves the flooding of large areas inhabited or in some way used by the populations.

Thus, these facilities and regions are specifically monitored through socio-environmental programs, identifying and describing the characteristics of the potentially affected populations, and implementing the necessary measures to minimize or compensate and remedy the impacts. These Programs are, in turn, subject to monitoring and assessment.

Moreover, particularly in Portugal and Brazil, EDP has carried out economic, social, cultural, entrepreneurship and health promotion programs in the areas of influence of the major projects. These were conducted directly or in partnership with local entities and stakeholders. For example, in the area of influence of the São Manoel Hydroelectric Power Plant in Brazil, an EDP Program has allocated R\$ 10 million to fund water supply works and Indigenous Basic Health Units, including medical equipment and the furniture necessary to improve the living conditions of the Kayabi, Munduruku and Apiaká peoples.

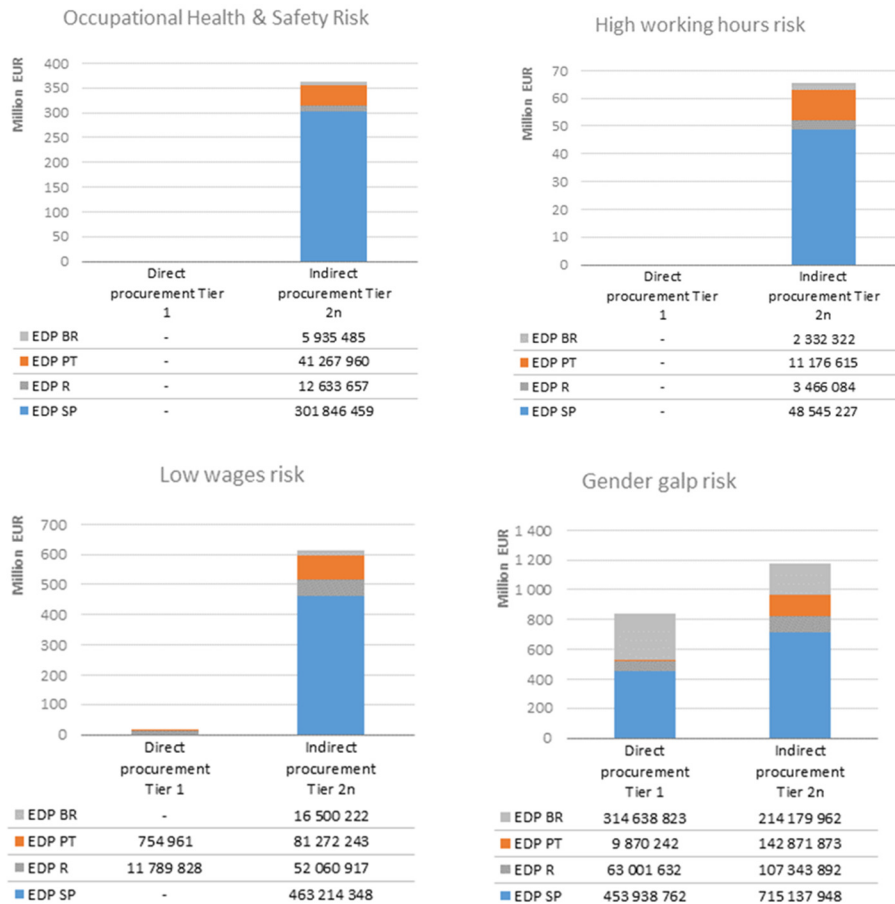
#### 5.4. Supply chain - indicators

Within the scope of the identification, mapping and quantification of risks in the supply chain, a set of indicators related to relevant human rights issues is attached – value in euro.



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## 5.5. Action plans

The companies EDP Gás, EDP Comercial, EDP Brasil and EDP Distribuição presented Plans of Action and Improvement for the implementation of adequate measures to protect Human and Labour Rights in activities and facilities identified and monitored. The Plans of Action and Improvement focus in particular on topics related to suppliers, namely, the collection, systematic analysis and archiving of documentation related to subcontractors (subcontracting contracts) and audits of contractors/subcontractors of Continuing Work Contracts, focusing on compliance with human rights and labour practices requirements.

Moreover, a number of other EDP Group companies are currently implementing or have planned update and improvement activities, which include aspects related to improved respect for human and labour rights, directly or indirectly, by verification, auditing or influence in the supply chain.

On the other hand, new training, awareness-raising and knowledge-building activities will continue in 2017, including those concerning human rights issues, in particular:

- Continuation of the training program in Portugal and Spain (in-person component) for the macrostructure, middle management and new managers;
- In-person training at EDP Brasil and at EDP Renováveis;
- Online training "The Honesty Project", on corruption and bribery;
- Training of service providers and suppliers;
- Ethics|Suppliers training program.



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This set of initiatives is part of the 2016/2018 Ethics Training Program, prepared to ensure adequate levels of training in ethics, including human rights issues, aiming the most comprehensive possible direct and indirect activities of the Company.

#### **5.6. Compliance**

In May 2016, EDP formally adopted a Corporate Compliance Management System to monitor the main risks of legal and regulatory compliance and to strengthen and systematically implement its compliance management practices. The Internal Audit and Compliance Department is responsible for promoting and coordinating the EDP Group's (Global and Specific) Compliance Programs, by providing tools and methodological support, and monitoring the activities carried out. In this context, training activities were carried out, which specifically included human rights aspects.

To address the new legal requirements on privacy, at the end of 2016 was started a corporate Project of Adequacy to the EU General Data Protection Regulation (RGPD), transversal to the EDP Group, in view of the Personal Data Directive and its new regulations, which shall apply from May 2018.

### **6. Conclusions**

In 2016, the self-diagnosis exercise carried out did not identify significant risks of adverse impacts on human rights. However, it is recommended that a set of actions and improvement plans, as well as their extension throughout our supply chain, should be carried out, particularly among the entities acting on behalf of EDP.

It is emphasized that an explicit requirement for the qualification of suppliers is that they must comply with the prohibition of the use of illegal workers and child labour. This is contractually established, systematically monitored, and liable to verification and operational inspection. It is also subject to the scope of the Compliance function, as of the Supply Chain Sustainability Program, and the Human Rights Monitoring Program, including the self-diagnosis carried out by the Companies and Business Units.

#### **6.1. Supply chain - developments**

Particularly with regard to the supply chain, EDP has defined targets for the protection of human rights in the supply chain, according to the Ruggie - Global Compact methodology, within the framework of its commitments described in the 2020 Goals. This objective complements the procedures of suppliers' assessment in accordance with the EDP Code of Ethics and Code of Conduct for EDP Suppliers.

EDP is associated with the Bettercoal international initiative as a way to promote risk monitoring and mitigation through an annual audit plan of coal mines and the promotion of a code of good practice for suppliers

(<http://www.edp.pt/en/sustentabilidade/abordagemasustentabilidade/bettercoal/Pages/BetterCoal.aspx>).



## 6.2. Analysis of complaints

Lastly, complaints registered in the Ethics System are classified according to the different topics of the Code of Ethics:

- Equality of solutions - Conflicts of interest; Commitment to interested parties
- Negligence or disrespect - Legislation; Human and labour rights; Stakeholders
- Transparency – Transparency; Stakeholders
- Use of information and assets - Use of information; Commitment to stakeholders
- Environment and society - Corporate social responsibility; Community
- Fraud, corruption and bribery - Financial matters; Corruption and bribery

In 2016, both in comparison to 2015 and in the multi-year analysis, there were less reports on the occurrence of incidents falling under the "Negligence or Disrespect" topic, which includes complaints concerning human rights and labour practices. This improvement could be an indication of the greater degree of scrutiny and requirements stipulated by interested parties, as well as greater employee awareness, due to the training and awareness raising activities carried out by the EDP Group.

The EDP Ethics Ombudsman channel is the preferred means of contact to complaint, participation and presentation of questions related to the matters of human rights and labour practices, including in the context of the supply chain.

## 7. Human and Labour Rights Monitoring Program in the EDP Group in 2017

In 2017, EDP updated its Declaration of Commitment to Respect Human and Labour Rights. In its decision of May 16, the Executive Board of Directors decided to publish the commitment "To maintain a Monitoring Program to ensure respect for Human and Labour Rights, and to identify risks and actions in order to prevent, minimize or repair possible negative impacts arising from its business and activities". It also clarified the scope of the Commitments, namely regarding EDP's expectations with respect to its suppliers, service contractors and business partners.

Under the same decision of May 16, the Executive Board of Directors decided that the EDP Group's 2017 edition on the Monitoring Program for Human and Labour Rights shall be implemented jointly by DSA and DAIC, according to the following fundamental axes:

- i. Continuous improvement of the performance of the EDP Group in the area of Human Rights and Labour practices, including the system for the review of Commitments and the Human Rights Monitoring Program, in accordance with its results and plans of action;
- ii. Methodology in line with the international guidelines, namely the **UN Guiding Principles on Business and Human Rights – Ruggie framework**;
- iii. Publication of the Monitoring Program on EDP's website, including the methodology, summary of results and respective action plans, covering EDP's principles and commitments to respect Human and Labour Rights;



## HUMAN RIGHTS MONITORING PROGRAM

### Report of assessment on potential impacts and respect for Human and Labour Rights – 2016

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- iv. The global report of the Monitoring Program, to be prepared by the DSA based on the consolidated information collected from the Business Units, serves as a basis for evaluating the respect for Human and Labour Rights in the EDP Group, as well as establishing priorities, action plans and analysis of the effectiveness of principles, commitments and programs;
- v. The Human Rights Monitoring Program is supervised by DAIC under the Compliance function.

The 2017 edition of the Human Rights Monitoring Program was formally launched through a joint internal approval process with the Sustainability Department and the Internal Audit and Compliance Department.

The Program provides for the preparation of a Human Rights Monitoring Report, based on the monitoring of the risks identified in the different phases of the assessment process, which should address all the Commitments described in the public declaration forming part of EDP Group Human Rights Policy. In this context, the summary report should also clarify the overall assessment of the respect for Human and Labour Rights in the EDP Group, in view to establishing priorities for action or reviewing policies and procedures, ensuring the understanding, identification and assessment of impacts and potential risks to Human Rights from the activities of EDP Group Companies. This includes compliance with the requirements described in the Declaration of Commitments and in the Supplier Code of Conduct concerning Human Rights and labour practices, as well as in relation to EDP's group of partners and associates.

In 2017, the self-diagnosis exercise is also supported by the Self-Diagnosis Form and the Assessment Questionnaire provided by the Danish Institute for Human Rights, to be completed or updated by the Companies and Business Units. It was equally supported by the Monitoring Guide prepared in accordance with the principles of the Ruggie framework, which is the basis for the EDP Group's overall assessment and the report of the Human Rights Monitoring Program.

For more details and access to the main documents of the Monitoring Program, go to <http://www.edp.pt/en/Pages/homepage.aspx> and, in particular, the "EDP and the implementation of the monitoring on Ruggie framework" section, at

<http://www.edp.pt/en/sustentabilidade/abordagemasustentabilidade/humanrights/Pages/Human%20Rights.aspx>