



A WORLD FULL OF ENERGY

ANNUAL REPORT OF THE GENERAL
AND SUPERVISORY BOARD 2012

The background of the entire page is a light gray color. It is decorated with thin, dark gray wavy lines that flow across the page, creating a sense of movement and energy. Scattered throughout the background are small, dark gray plus signs (+).

A WORLD FULL OF ENERGY

edp







**EDP AND PARTNERS
INAUGURATE THE FIRST
PORTUGUESE OFFSHORE
WIND TURBINE**

1 WINDMILL OF 2 MW

OVER 1,7 GWH
GENERATED



CONTENTS

6	message from the chairman
8	1. edp's governance model
9	2. general and supervisory board
9	2.1 composition
11	2.2 functions
11	2.3 organisation and functioning
12	2.4 specialised committees
15	3. activities of the general and supervisory board
15	3.1 permanent activity
16	3.2 plenary meetings
16	3.3 prior opinions
17	3.4 reports of the work of specialised committees
17	3.5 specific themes of the activity of the general and supervisory board
19	3.6 general and supervisory board budget 2012
20	4. assessment of the work and performance of the general and supervisory board
20	4.1 general and supervisory board indicators
20	4.2 general and supervisory board meetings 2012 - participation
21	4.3 self-assessment of the general and supervisory board's work
22	5.challenges facing the general and supervisory board in 2013
22	6. acknowledgements
24	annexes
28	general and supervisory board's opinion on edp's 2012 annual report and accounts
29	general and supervisory board's statement on edp's 2012 annual report and accounts
30	financial matters committee's opinion on edp's 2012 annual report and accounts
32	statement on the assessment of the executive board of directors
33	financial matters committee's annual report
36	remuneration committee's annual report
38	corporate governance and sustainability committee's annual report
40	strategy committee's annual report
42	performance analysis and competitiveness committee's annual report

: annual report of the general and supervisory board :

1. EDP'S GOVERNANCE MODEL

EDP's 2012 Annual Report gives an account of the corporate governance structures and practices as well as a statement of compliance with the Corporate Governance Code recommendations published by the CMVM in 2010.

EDP's Shareholders adopted the two-tier model in 2006. The experience acquired since then makes it possible to set out a particularly well reasoned appraisal of the model's positive features and challenges and some aspects that the General and Supervisory Board should consider with a view to the constant improvement of EDP's governance practices.

This reflection is particularly important following the completion of the 8th phase of EDP's reprivatisation, which culminated in the change of EDP's shareholder structure resulting from the disposal of a 21.35% shareholding by Parpública to China Three Gorges. This process involved a number of important commitments in terms of corporate governance, not only regarding the members of the corporate bodies, implemented about six weeks prior to the General Shareholders Meeting of 17 April 2012, but also some amendments to the Articles of Association made at the Extraordinary General Meeting of 20 February 2012, which were: (i) the addendum of a new paragraph no. 10 to Article 10 of EDP's Articles of Association, and (ii) the modification of paragraph no. 3 of Article 14 of EDP's Articles of Association.

These amendments to the Articles of Association, plus the changes in the shareholder structure of EDP following the conclusion of the 8th phase of reprivatisation of the Company, led to the need for a broad reflection that also encompassed the EDP governance model. The aim of this reflection is to effectively and efficiently promote the interests of the Company by strengthening the governance practices that are shown to be most appropriate.

The role played by the General and Supervisory Board in this process is decisive. 2012 was marked by the need to make several changes, seeking to follow up on the various initiatives promoted in the field of corporate governance by the outgoing General and Supervisory Board, most notably the restructuring of the specialised committees of the General and Supervisory Board, on completion of the considered appraisal of the subject and the consequent modification of the referred Board Internal Regulation.

Thus, in addition to the Financial Matters Committee, the Remuneration Committee and the Corporate Governance and Sustainability Committee, the General and Supervisory Board decided, in April 2012, to create two new specialised committees, which are the Performance Analysis and Competitiveness Committee and the Strategy Committee.

The latter was given the role of permanently monitoring matters related to (i) long-term scenarios and strategies, (ii) strategic implementation and business planning and respective budgets, (iii) investments and divestments, (iv) debt and financing, (v) strategic alliances, (vi) development of markets and competitiveness, and (vii) regulation. The Performance Analysis and Competitiveness Committee was given the task of permanently monitoring the following matters: (i) analysing the corporate performance of the Company, (ii) benchmarking the company's corporate

performance against the top companies of the sector and (iii) assessing the competitiveness of EDP's business portfolio.

The General and Supervisory Board considered, with a view to the continuous improvement of the existing two-tier model in EDP, that the creation of these two specialised committees would contribute, together with the existing ones, to continuing to foster a set of governance practices designed to ensure the effective and correct performance of the legal and statutory duties of the General and Supervisory Board at a time when the Company faces new challenges.

The challenges that EDP faces today are primarily centred on the uncertain macroeconomic environment and change in the shareholder structure of the Company. Even though these two aspects are totally different, the fact is that both embody factors of differentiation, forcing the company to establish procedures to meet the demands and requirements of the new framework.

While it is clear that there is a common denominator to the General and Supervisory Board since its creation, which comprises defending the interests of the Shareholders by monitoring and supervising the management of the EBD, we have been witnessing structural changes in the world, in Europe, in Portugal and in EDP since 2006. Therefore, in this third mandate of the General and Supervisory Board, imbued with the spirit of cooperation, support and advice that was always the hallmark of the General and Supervisory Board, it considers its duty to be to contribute even more in the pursuit of the goals of EDP, because the business context - and even strategy itself - is different today.

Moreover, the establishment of the two above-referred specialised committees is a corollary of one of the recommendations of the Corporate Governance Code published in 2010 by the CMVM, and it is wholly justified given the broad composition of the General and Supervisory Board, as well as the specifics of the size of the Company and the corporate bodies proper. Their existence ensures that there is specific and permanent monitoring of certain relevant matters, thereby safeguarding informed decision-making procedures in those corporate bodies or that they may be informed on matters of considerable complexity.

Hence, it is essential that the corporate governance practices of the Company accompany developments occurring in the national and international scene.

Regarding 2012, and without prejudice to the legally required opinion on this matter, the General and Supervisory Board would like to set out and share with EDP's Shareholders and other stakeholders the main conclusions of its appraisal of the adequacy of the two-tier governance model in force in EDP:

- Ensure that the division of responsibilities between the different corporate bodies - management, monitoring and auditing of accounts - is beneficial.
- It is equipped with a high degree of flexibility, which ensures that the synergies resulting from the mentioned division are maximised.
- It is appropriate to the corporate organisational context of EDP, ensuring prudent stability between the necessary amplitude of management powers and effectiveness of the supervision and monitoring of the Company's activity.
- It is demonstrative of the existence of a functional relationship between the General and Supervisory Board and Executive Board

of Directors with a clearly positive balance, whether concerning the topics covered or as to how they are conducted, although the ambition of continuous improvement remains ever present.

- Promotes higher levels of quality of the governance practices, optimising the advantages of the governance model in force with regards

to the mechanisms of access to information by the General and Supervisory Board, the greater exercise of the duties of the General and Supervisory Board in relation to subsidiaries, and the involvement of the General and Supervisory Board in the preparative phases of multi-year management documents.

2. GENERAL AND SUPERVISORY BOARD

2.1. COMPOSITION

Under EDP’s Articles of Association, the General and Supervisory Board must have no fewer than nine members and always more than the number of directors. It must also consist of a majority of independent members. The Chairman of the General Shareholders Meeting is automatically a member of the General and Supervisory Board.

The members of the General and Supervisory Board in office to 20 February 2012 were the following:

MEMBER	FUNCTIONS PERFORMED	INDEPENDENT STATUS	DATE 1 ST ELECTION/ DESIGNATION	DATE REELECTION/ REDESIGNATION
1 António de Almeida	GSB Chairman CGSC Chairman	No	30.06.2006	15.04.2009
2 Alberto João Coraceiro de Castro	GSB Vice-Chairman RC Chairman CGSC Member	Yes	30.06.2006	15.04.2009
3 António Sarmento Gomes Mota	GSB Member FMC Member CGSC Member	Yes	15.04.2009	n.a.
4 Carlos Jorge Ramalho dos Santos Ferreira	GSB Member	No	10.04.2008	15.04.2009
5 Diogo Campos Barradas de Lacerda Machado	GSB Member CGSC Member	Yes	30.06.2006	15.04.2009
6 Eduardo de Almeida Catroga	GSB Member RC Member	Yes	30.06.2006	15.04.2009
7 Farid Boukhalfa (Sonatrach)	GSB Member	No	04.02.2010	n.a.
8 Joaquim José de Oliveira Reis (Parpública)	GSB Member	No	28.04.2011	n.a.
9 José Manuel dos Santos Fernandes	GSB Member CGSC Member	Yes	15.09.2009	n.a.
10 José Maria Brandão de Brito (Cajastur)	GSB Member CGSC Member	No	02.06.2008	15.04.2009
11 José Maria Espírito Santo Silva Ricciardi	GSB Member CGSC Member	No	30.06.2006	15.04.2009
12 Luís Filipe da Conceição Pereira	GSB Member	No	26.04.2011	n.a.
13 Manuel Fernando de Macedo Alves Monteiro	GSB Member FMC Member	Yes	30.06.2006	15.04.2009
14 Mohamed Ali Al Fahim (Senfora)	GSB Member CGSC Member	No	16.04.2010	n.a.
15 Ricardo José Minotti da Cruz Filipe	GSB Member CGSC Member	Yes	15.04.2009	n.a.
16 Rui Eduardo Ferreira Rodrigues Pena (Presidente Mesa AG)	GSB Member	Yes	12.04.2007	15.04.2009
17 Vítor Fernando da Conceição Gonçalves	GSB Member FMC Chairman	Yes	30.06.2006	15.04.2009

On 20 February 2012, on the General Shareholders Meeting, were elected the 23 members of the General and Supervisory Board for the term of office from 2012 to 2014, 12 of whom were independents.

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges International (Europe) S.A., initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011, under the 8th phase of the reprivatization of EDP.

Between 29 May 2012 and 17 September 2012, the independent member of the General and Supervisory Board - Ilídio da Costa Leite de Pinho - suspended the term of office for personal reasons.

On 11 October 2012, following the resignation of Chairman of the Board of Directors of Parpública - Participações Públicas (SGPS), SA ("Parpública"), Joaquim José de Oliveira Reis presented his resignation as member of the General and Supervisory Board. Parpública did not appoint a new member.

The table below lists the members of the General and Supervisory Board elected on the General Shareholders Meeting of 20 February 2012.

The General and Supervisory Board specialised committees are made up exclusively of General and Supervisory Board Members.

In the Corporate Bodies of EDP section of EDP 2012 Annual Report, there is a short curriculum vitae of all General and Supervisory Board Members, indicating their professional qualifications, posts held in at least the last five years, including posts held in other companies, as well as the date of their first appointment and the end of their term of office.

As required by law and the regulations, EDP 2012 Annual Report also provides information on ownership of shares and other financial instruments related to EDP.

MEMBER	FUNCTIONS PERFORMED	INDEPENDENT STATUS	DATE OF 1 ST ELECTION/ APPOINTMENT	DATE OF RE-ELECTION/ REAPPOINTMENT
1 Eduardo de Almeida Catroga	GSB Chairman FMC Chairman ST Chairman	Yes	30.06.2006	20.02.2012 15.04.2009
2 Dingming Zhang (China Three Gorges Corporation)*	GSB Vice-Chairman ST Vice-Chairman	No	20.02.2012	n.a.
3 Alberto João Coraceiro de Castro	GSB Member RC Chairman PACC Member	Yes	30.06.2006	20.02.2012 15.04.2009
4 António Sarmento Gomes Mota	GSB Member FMC Member PACC Member	Yes	15.04.2009	20.02.2012
5 Carlos Jorge Ramalho dos Santos Ferreira	GSB Member CGSC Chairman	No	10.04.2008	20.02.2012 15.04.2009
6 Felipe Fernández Fernández (Cajastur Inversiones)	GSB Member ST Member	No	20.02.2012	n.a.
7 Fernando Masaveu Herrero	GSB Member PACC Member	Yes	20.02.2012	n.a.
8 Guojun Lu (China International Water&Electric Corporation)*	GSB Member RC Member	No	20.02.2012	n.a.
9 Harkat Abderezak (Sonatrach)	GSB Member ST Member	No	06.03.2012	n.a.
10 Ilídio da Costa Leite de Pinho**	GSB Member RC Member CGSC Member	Yes	20.02.2012	n.a.
11 Joaquim José de Oliveira Reis (Parpublica) ***	GSB Member CGSC Member	No	28.04.2011	20.02.2012
11 Jorge Braga de Macedo	GSB Member ST Member	Yes	20.02.2012	n.a.
12 José Maria Espírito Santo Silva Ricciardi	GSB Member RC Member ST Member	No	30.06.2006	20.02.2012 15.04.2009
13 Luís Filipe da Conceição Pereira (José de Mello Energia)	GSB Member PACC Chairman	No	26.04.2011	20.02.2012
14 Manuel Fernando de Macedo Alves Monteiro	GSB Member FMC Member CGSC Member	Yes	30.06.2006	20.02.2012 15.04.2009
15 Maria Celeste Ferreira Lopes Cardona	GSB Member FMC Member CGSC Member	Yes	20.02.2012	n.a.
16 Mohamed Ali Al Fahim (Senfora)	GSB Member ST Member	No	16.04.2010	20.02.2012
17 Paulo Jorge de Assunção Rodrigues Teixeira Pinto	GSB Member RC Member	Yes	20.02.2012	n.a.
18 Rui Eduardo Ferreira Rodrigues Pena (Presidente Mesa AG)	GSB Member	Yes	12.04.2007	20.02.2012 15.04.2009
19 Shengliang Wu (China Three Gorges International)*	GSB Member CGSC Member	No	20.02.2012	n.a.
20 Vasco Joaquim Rocha Vieira	GSB Member CGSC Member	Yes	20.02.2012	n.a.
21 Vitor Fernando da Conceição Gonçalves	GSB Member FMC Vice-Chairman	Yes	30.06.2006	20.02.2012 15.04.2009
22 Ya Yang (China Three Gorges New Energy Corporation)*	GSB Member PACC Member	No	20.02.2012	n.a.

* Functions began effectively on 11 May 2012.

** Between 29 May and 17 September 2012 the member Ilídio da Costa Leite de Pinho suspended his term of office.

*** On 11 October 2012, the representative of Parpública, Joaquim José de Oliveira Reis, resigned his position as member of the General and Supervisory Board.

2.1.1. INCOMPATIBILITY AND INDEPENDENCE REGIME

The Members of the General and Supervisory Board are subject to a vast range of rules under the law and Articles of Association on incompatibility in the performance of their duties. Given the qualitative requirements governing membership of the General and Supervisory Board, it must comprise a majority of members with independent status.

Fulfilling its commitment to best corporate governance practices, the General and Supervisory Board has a procedure in place that is designed to step up checks ensuring that there are no incompatibilities and, where appropriate, that there is no lack of independence of General and Supervisory Board Members, based on the statements that its Members make.

This procedure includes the following elements:

- A position on the General and Supervisory Board is accepted in a written statement which also declares:
 - Satisfactory knowledge of the rules set out in the law, regulations and Articles of Association applicable to the Member's and the Company's activity.
 - Unreserved acceptance of the provisions set forth in the General and Supervisory Board Internal Regulation.
 - Non-existence of any incompatibility under law or the Articles of Association regarding composition of the General and Supervisory Board.
 - Fulfilment of the requirements for independence, pursuant to Article 8, no.1 of the General and Supervisory Board Internal Regulation, if elected as an independent General and Supervisory Board Member.
 - The obligation to report to the General and Supervisory Board Chairman or, if it is the Chairman, directly to the General and Supervisory Board, any subsequent circumstance that might result in incompatibility or loss of independence.
- Within 30 days of the start of each financial year, the Members of the General and Supervisory Board should renew their statements confirming the inexistence of incompatibilities and, if applicable, fulfilment of the independence requirements.
- Each year, the General and Supervisory Board conducts a general assessment of its Members with regard to the application of the rules on incompatibility and independence.
- Pursuant to the General and Supervisory Board Internal Regulation, the existence of an incompatibility automatically terminates a term of office and the Member in question should take the initiative to resign with immediate effect.

Immediately after acceptance of their election, the Members of the General and Supervisory Board signed a statement attesting to the fact that there were no incompatibilities and, where appropriate, verifying their independence. This statement was renewed at the start of 2013.

Therefore, under the internal procedures established for the purpose and taking account of Securities Market Commission Regulation 1/2010, the General and Supervisory Board states that based on the information gathered for the purpose and the appraisal conducted at its meeting of 5 March 2013, no situations were found of:

- Incompatibilities regarding its Members.
- That were liable to affect the independence of the Members identified as such.

The Members' statements are available on the EDP website (www.edp.pt).

2.2. FUNCTIONS

The General and Supervisory Board main mission is to advise, monitor and supervise the management of EDP on a permanent basis, cooperating with the Executive Board of Directors and other corporate bodies in pursuing the company's interests, pursuant to law and the company's Articles of Association, in particular Article 22.

The Company's Corporate Governance Report describes the General and Supervisory Board powers in detail. The following elements should be highlighted in light of their particular importance:

- The role of supervising Executive Board of Directors activities should be understood in the broadest sense, with Shareholders requiring that this be performed on a permanent basis pursuant to Article 22, no. 1,a) of the Articles of Association, thereby ensuring that all of EDP's Shareholders and stakeholders are adequately protected.
- The monitoring of directors' activity is not limited to EDP, but also covers all subsidiaries. However, given the large number and different sizes of these companies, the General and Supervisory Board has decided to focus especially on the following:
 - EDP Renováveis, S.A.
 - EDP – Gestão da Produção de Energia, S.A.
 - EDP Distribuição – Energia, S.A.
 - EDP Comercial – Comercialização de Energia, S.A.
 - EDP Gás, SGPS, S.A.
 - EDP Energias do Brasil, S. A.
 - Hidroeléctrica del Cantábrico, S.A.
 - Naturgas Energía Grupo, S. A.
- All materially relevant operations are systematically scrutinised by the General and Supervisory Board, by means of the prior opinion process, including acquisitions, financing, investments or transactions of particular strategic significance.
- The clarification of matters that by their nature may have implications on EDP's image.

2.3. ORGANISATION AND FUNCTIONING

The General and Supervisory Board is organised in accordance with the law and EDP's Articles of Association. Recommendations on the best governance practices for listed companies are also taken in to account, especially those of the Securities Market Commission Corporate Governance Code.

The General and Supervisory Board operates in plenary and through specialised committees, to which General and Supervisory Board delegates the performance of certain duties while retaining ultimate responsibility for those duties.

Pursuant to EDP's Articles of Association, ordinary plenary meetings must be held at least once every quarter. However, as has occurred in previous years, this number has been surpassed due to the specific requirements of the EDP Group's business. The General

and Supervisory Board meets in extraordinary sessions whenever the nature, importance or urgency of matters so require.

The Chairman of the General and Supervisory Board Chairman, in the exercise of the office's powers under law and the Articles of Association, is responsible for the organisation and coordination of activities and for representing the General and Supervisory Board, as well as striving to ensure the correct implementation of its decisions. Now that the number of members has been increased, the General and Supervisory Board Chairman acts as the link between the General and Supervisory Board's and Executive Board of Directors' activity, similar to the Executive Board of Directors' relations with the General and Supervisory Board, which are under the exclusive responsibility of the Chairman of the Executive Board of Directors. The two Chairmen are responsible for ensuring they remain in direct and permanent contact, formally and informally, and they inform each other of the main events of the day-to-day management of the Company and the respective supervision. This contact has been a reality since the two bodies began functioning.

Aside from plenary and committee meetings, the Chairman of the General and Supervisory Board Chairman selects issues for clarification with the Chairman of the Executive Board of Directors, informing the General and Supervisory Board Members of such as and when required.

The Articles of Association also require that the Chairman of the Executive Board of Directors attend General and Supervisory Board meetings without any voting rights, and they entitle the Chairman of the General and Supervisory Board Chairman to attend Executive Board of Directors meetings when he sees fit, also without voting rights.

2.4. SPECIALISED COMMITTEES

Given the nature and duties attributed to it, the General and Supervisory Board created specialised committees to deal with issues of particular importance. These committees are composed of suitably qualified, experienced and available Members and their main task is to monitor the matters entrusted to them on a permanent basis, in order to facilitate the General and Supervisory Board's decision-making processes and keep it informed on the specific issues it deals with.

The Financial Matters Committee (FMC) and Remuneration Committee (RC) were set up as required by law and the Articles of Association. On the initiative of the General and Supervisory Board, the Corporate Governance and Sustainability Committee (CGSC) was created in 2006 and, more recently, the Strategy Committee (SC) and the Performance Analysis and Competitiveness Committee (PACC).

General and Supervisory Board, through its Chairman, permanently oversees the work of its committees, which have to regularly report to the General and Supervisory Board their activities.

The Company's Corporate Governance Report describes the composition and duties delegated by the General and Supervisory Board on each of its specialised committees. The EDP website, www.edp.pt, also provides detailed information on the committees and their internal regulations (in Portuguese and English).

Following the Extraordinary General Meeting of 20 February 2012, there was the need to proceed with the establishment of the mandatory specialised committees, the Financial Matters Committee and Remunerations Committee, which happened at the General and Supervisory Board meeting of 21 February 2012. An ad-hoc committee was also set up to accompany the process of reviewing the EDP Business Plan.

Afterwards, the General and Supervisory Board considered it appropriate to restructure its specialised committees, on completion of a review of the functioning of the General and Supervisory Board and its committees. This restructuring was undertaken on 18 April 2012, as described below. The ad-hoc committee mentioned in the previous paragraph was extinguished on that date, since its role would be incorporated into the newly created Strategy Committee.

The mission of each of the specialised committees of the General and Supervisory Board and their composition is described below.

2.4.1. FINANCIAL MATTERS COMMITTEE

MISSION

The Financial Matters Committee is a specialised committee with powers to supervise the Company's financial information and permanently monitor the work of the statutory auditor, external auditor, internal auditor and internal control systems. Article 23, no. 2 of the Articles of Association lists the matters that must be delegated in this Committee.

COMPOSITION

The Financial Matters Committee was composed of the following Members up to 20 February 2012:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Vitor Fernando da Conceição Gonçalves	Chairman	Yes	13.07.2006	07.05.2009
António Sarmento Gomes Mota	Member	Yes	07.05.2009	n.a.
Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13.07.2006	07.05.2009

On 21 February 2012, General and Supervisory Board appointed the following Members to the Financial Matters Committee for the period 2012-2014. The General and Supervisory Board Chairman was appointed as Chairman of this Committee, considering the provisions of Article 23, no. 3 of EDP's Articles of Association. The Members of the Financial Matters Committee from that date were:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Eduardo de Almeida Catroga	Chairman	Yes	21.02.2012	n.a.
Vitor Fernando da Conceição Gonçalves	Vice-Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
António Sarmento Gomes Mota	Member	Yes	07.05.2009	n.a.
Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13.07.2006	21.02.2012 07.05.2009

Following the appraisal made regarding the restructuring of the specialised committees of the General and Supervisory Board, at the meeting held on 18 April 2012, General and Supervisory Board decided to extend the composition of the Committee, by appointing another Member.

Thus, from 18 April 2012 onwards, the Financial Matters Committee has the following composition:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Eduardo de Almeida Catroga	Chairman	Yes	21.02.2012	n.a.
Vitor Fernando da Conceição Gonçalves	Vice-Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
António Sarmento Gomes Mota	Member	Yes	07.05.2009	21.02.2012
Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13.07.2006	21.02.2012 07.05.2009
Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.

2.4.2. REMUNERATION COMMITTEE

MISSION

The Remuneration Committee is a specialised committee with responsibility for fixing pay policy for the Chairman and other members of the Executive Board of Directors, pursuant to Article 27 of the Articles of Association. It is separate from the Remuneration Committee elected by the General Shareholders Meeting, which fixes the pay policy for the other corporate bodies.

COMPOSITION

The Remuneration Committee in office up to 20 February 2012 as well as that which began its term of office on 21 February 2012 for the period 2012-2014, contained the following members:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Alberto João Coraceiro de Castro	Chairman	Yes	13.07.2006	21.02.2012
Eduardo de Almeida Catroga	Member	Yes	13.07.2006	21.02.2012
José Maria Espírito Santo Silva Ricciardi	Member	Yes	27.01.2011	21.02.2012

The General and Supervisory Board decided, at its meeting of 18 April 2012, to change the composition of the Remuneration Committee with effect from 18 May 2012. It appointed José Maria Espírito Santo Silva Ricciardi as a Member of this Committee until Guojun Lu took office as a full Member of the General and Supervisory Board, and Paulo Jorge de Assunção Rodrigues Teixeira Pinto. The General and Supervisory Board again changed the composition of the Committee on 22 May 2012, which then contained the following Members:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Alberto João Coraceiro de Castro	Chairman	Yes	13.07.2006	21.02.2012
Ilídio da Costa Leite de Pinho	Member	Yes	22.05.2012	07.05.2009
José Maria Espírito Santo Silva Ricciardi *	Member	No	27.11.2011	22.05.2012
Guojun Lu	Member	No	11.05.2012	21.02.2012
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Member	Yes	18.04.2012	n.a.

2.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

MISSION

The Corporate Governance and Sustainability Committee was created as a specialist committee with responsibility for the following areas:

- Corporate governance
- Sustainable strategy
- Internal codes of ethics and conduct
- Systems for assessing and resolving conflicts of interest namely rerading relations between EDP and its Shareholders.
- Defining selection and competences criteria appropriate on EDP or its subsidiaries structures and internal bodies and their impact on the composition thereof.
- The drafting of plans of succession

COMPOSITION

Up to 20 February 2012, the members of the Corporate Governance and Sustainability Committee were as follows:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
António de Almeida	Chairman	No	27.07.2006	07.05.2009
Alberto João Coraceiro de Castro	Member	Yes	27.07.2006	07.05.2009
António Sarmento Gomes Mota	Member	Yes	07.05.2009	n.a.
Diogo Campos Barradas de Lacerda Machado	Member	Yes	08.11.2007	07.05.2009
José Manuel dos Santos Fernandes	Member	Yes	07.05.2009	n.a.
José Maria Brandão de Brito	Member	No	07.05.2009	n.a.
José Maria Espírito Santo Silva Ricciardi	Member	No	27.07.2006	07.05.2009
Mohamed Ali Al-Fahim	Member	No	06.05.2010	n.a.
Ricardo José Minotti da Cruz Filipe	Member	Yes	07.05.2009	n.a.

On 18 April 2012, the General and Supervisory Board appointed the following members to the Corporate Governance and Sustainability Committee for the period 2012-2014:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Carlos Jorge Ramalho dos Santos Ferreira	Chairman	No	18.04.2012	n.a.
Ilídio da Costa Leite de Pinho *	Member	Yes	18.04.2012	n.a.
Joaquim José de Oliveira Reis (Parpública) **	Member	No	18.04.2012	n.a.
Manuel Fernando de Macedo Alves Monteiro	Member	Yes	18.04.2012	n.a.
Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.
Shengliang Wu	Member	No	11.05.2012	n.a.
Vasco Joaquim Rocha Vieira	Member	Yes	18.04.2012	n.a.

* Suspended fuctions between 29.05.2012 and 17.09.2012

** On 11 October 2012, the representative of Parpública, Joaquim José de Oliveira Reis, resigned his position as member of the General and Supervisory Board.

2.4.4. STRATEGY COMMITTEE

MISSION

The Strategy Committee was created as a specialist committee with responsibility for the following areas:

- Long-term strategies and scenarios.
- Strategic implementation and business planning, and respective budgets.
- Major investments and divestments.
- Debt and financing.
- Strategic alliances.
- Evolution of markets and competitiveness.
- Regulation.

COMPOSITION

The General and Supervisory Board created the Strategy Committee on 18 April 2012, appointing the following Members for the period 2012-2014:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Eduardo de Almeida Catroga	Chairman	Yes	18.04.2012	n.a.
Dingming Zhang	Vice-Chairman	No	11.05.2012	n.a.
Felipe Fernández Fernández	Member	No	18.04.2012	n.a.
Harkat Abderezak	Member	No	18.04.2012	n.a.
Jorge Braga de Macedo	Member	Yes	18.04.2012	n.a.
José Maria Espírito Santo Silva Ricciardi	Member	No	18.04.2012	n.a.
Mohamed Ali Al-Fahim	Member	No	18.04.2012	n.a.

2.4.5. PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

MISSION

The Performance Analysis and Competitiveness Committee was created as a specialist committee with responsibility for the following areas:

- Analysis of the Company’s business performance.
- Benchmarking the Company’s business performance compared to the industry’s top companies.
- Assessing the competitiveness of the business portfolio of EDP.

COMPOSITION

The General and Supervisory Board created the Performance Analysis and Competitiveness Committee on 18 April 2012, appointing the following Members for the period 2012-2014:

MEMBERS	FUNCTION	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
Luis Filipe da Conceição Pereira	Chairman	No	18.04.2012	n.a.
Alberto João Coraceiro de Castro	Member	Yes	18.04.2012	n.a.
António Sarmento Gomes Mota	Member	Yes	18.04.2012	n.a.
Fernando Masaveu Herrero	Member	Yes	18.04.2012	n.a.
Ya Yang	Member	No	11.05.2012	n.a.

3. ACTIVITIES OF THE GENERAL AND SUPERVISORY BOARD

As part of its competences under the Articles of Association, the General and Supervisory Board is responsible for advising, monitoring and supervising EDP’s activities and most important decisions. These range from business organisation, management models and eminently operational aspects to decisions on new growth opportunities and their implementation, including forms of finance, and internal and external reporting of results.

The most visible part of the General and Supervisory Board work is its plenary meetings and specialised committees. However, permanent, complex activities are necessary in order to organise and prepare these meetings. This permanent work is related to the extent of the institutional representation provided by the Chairman and the types of duties that the Shareholders decide that he should take on internally and externally.

Hence, as the General and Supervisory Board activity is restricted to the availability and participation of its Members in plenary and specialised committee meetings, care and selectivity is essential in choosing and preparing the matters that should deserve its special attention.

It was not considered appropriate that the outgoing General and Supervisory Board Members approve the plan of activities of the General and Supervisory Board for the year 2012, given the specific circumstances associated with the end of 2011 and the beginning of 2012, including the culmination of the process of the 8th reprivatisation of EDP and the end of the term in office for the period 2009 to 2011. Accordingly, when the new General and Supervisory Board in office sat on 21 February 2012 for the first time in plenary, its Members approved a general calendar containing the major issues to be analysed by that Board.

The intention of the General and Supervisory Board with this procedure was to guide its work in order to maximise its resources and the availability of its Members in two basic types of initiative:

- Strengthening the supervision and monitoring of the activity of EDP, structured according to a preliminary selection on the basis of the

relative importance of the identified issues to the business activity of EDP.

- Improving the operational activity of the General and Supervisory Board.

The main concern of the General and Supervisory Board Budget for 2012, approved on 28 July 2011, was reducing the costs associated with operating the General and Supervisory Board and a careful management of the available resources. Information on the implementation of the General and Supervisory Board budget is provided in section 3.6.

In previous annual reports, General and Supervisory Board has highlighted some matters that warranted its particular attention and that have relevant material specificities, justifying special focus in this report. Accordingly, the following work by the General and Supervisory Board is to be highlighted:

- Matters of conflicts of interest
- Restructuring the specialised committees of the General and Supervisory Board
- Regulatory framework of the Electricity System
- Strategic challenges in the energy sector impacting on EDP
- EDP Business Plan 2012-2015
- Strategic partnership with CTG

The report also included a section that summarises the main aspects of the General and Supervisory Board activity in numbers for the purposes of comparison with the previous year. It has been introduced in light of the view that supervising, monitoring and advising are activities that must also be subject to the strictest requirements, with the capacity to generate added value for the Company.

3.1. PERMANENT ACTIVITY

Under the Articles of Association, the General and Supervisory Board permanent activity was assured by its Chairman, who performed his role in full-time and assisted by the General and Supervisory Board Office.

Pursuant to the General and Supervisory Board Internal Regulation, the Chairman is responsible for:

- Representing the General and Supervisory Board and acting as spokesman for its decisions.
- Coordinating the General and Supervisory Board activities and supervising the correct functioning of its committees, retaining the right to attend any meeting and request information on their activity.
- Ensuring that the Members of the General and Supervisory Board receive all the information necessary, in a timely fashion, for them to fully perform their duties.
- Asking the Executive Board of Directors to provide the relevant information for the exercise of the powers of the General and Supervisory Board and its committees, making it available to General and Supervisory Board Members in a timely manner.
- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitor the activity of the Company and of the Executive Board of Directors in particular.
- Controlling the implementation of the General and Supervisory Board budget and managing its material and human resources.
- Convening and chairing the General and Supervisory Board meetings, as well as striving to ensure the correct implementation of its decisions.

One of the most important duties of the Chairman of the General and Supervisory Board is to represent the General and Supervisory Board. This involved the following tasks:

- Accompanying the weekly Executive Board of Directors meetings, for which purpose he is provided with the agenda and support documentation beforehand and the minutes afterwards,
- Permanent contact between the Chairman of the General and Supervisory Board and Chairman of the Executive Board of Directors.
- Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- Participating in events of EDP's institutional life.

In the field of internal work of the General and Supervisory Board, the Chairman coordinated the activities through:

- Specialised assistance and advice for meetings of committees on which he does not sit.
- Processing of information from the EBD and other sources.
- Management of prior opinion processes, as described in point 3.3.

In addition to the normal activities resulting from its statutory powers, the Chairman of the General and Supervisory Board has been developing a diverse set of initiatives to better understand the challenges of the different business units and motivate their operational teams. For this purpose, the General and Supervisory Board Chairman has held meetings and regular visits to the organisational units of the EDP Group and some of the key technical infrastructure. This effort is being conducted in Portugal, but also in other geographical areas where EDP is present. It will continue in 2013.

3.2. PLENARY MEETINGS

In 2012, General and Supervisory Board held 9 plenary meetings, which were attended by a high number of members (87%).

The table below identifies these meetings and the General and Supervisory Board main initiatives at each one:

NO.	DATE	PLACE	MAIN SUBJECTS
1	21 Feb.	Lisbon	· EDP 2012 Budget · EDP reprivatization process · 2011 EDP Annual Report and Accounts · Selection of Statutory Auditor/ Contracting External Auditor for 2012
2	08 Mar.	Lisbon	· 2011 GSB Annual Report · Decision on parameters of GSB prior opinions · Amending Articles of Association of EDP Energias do Brasil
3	18 Apr.	Lisbon	· Reestructuring GSB specialised committees · Development of strategic partnership between EDP and CTG · Regulatory framework of the electricity system
4	10 May	Lisbon	· Report and Accounts 1 st quarter 2012 · 2012 - 2015 Business Plan (draft version)
5	22 May	Lisbon	· 2012 - 2015 Business Plan · Expanding membership of RC · Report and Accounts 1 st Half 2012
6	26 Jul.	Lisbon	· EDP labour relations · CTG strategic partnership – status report · Regulatory framework in key geographical areas
7	27 Sept.	Lisbon	· Major investment projects in progress · Financial structure, financing policy and major financing transactions · Report and Accounts 3 rd quarter 2012
8	06 Nov.	Lisbon	· Vento II divestment project · EDP 2013 Budget – guidelines · Issue of securities
9	20 Dec.	Lisbon	· CTG strategic partnership · EDP 2013 Budget · EDP 2013 Budget

3.3. PRIOR OPINIONS

- Article 17, no. 2 of EDP's Articles of Association sets out a number of matters that require a favourable prior opinion from the General and Supervisory Board, which has the power to set the parameters for measuring the economic or strategic value of operations that must be submitted for its opinion.

The matters that require a favourable prior opinion from the General and Supervisory Board are as follows:

- The approval of the Company's Strategic Plan;
- The following operations by the Company or by EDP subsidiaries:
 - Acquisitions and sales of assets, rights or shareholdings of significant economic value;
 - Contracting financing operations of significant value;
 - The opening and closure of establishments, or important parts thereof, and important increases or reductions in activity;
 - Other transactions or operations of significant economic or strategic value;
 - The commencement or termination of strategic partnerships or other forms of lasting cooperation;
 - Plans for divisions, mergers or transformations;
 - Changes to the Articles of Association, including moving the registered office and increasing the share capital, when on the initiative of the Executive Board of Directors.

The General and Supervisory Board approved on 8 March 2012 a set of rules for issuing and waiving prior opinion. These rules seek to guarantee the effective exercise of the statutory powers of the General and Supervisory Board and Executive Board of Directors in pursuit of the Company's interests. In broad terms, the characteristics of the mechanism set up by the General and Supervisory Board are as follows:

- The transactions referred to in the business plan and annual budgets, which are documents submitted to the General and Supervisory Board for prior opinion, and unless otherwise decided, do not require an autonomous prior opinion

provided they are individually identified and valued in the Business Plan and/or Annual Budget, and when their implementation value does not differ from the value established in those documents by more than 10%, in absolute terms.

- Parameters of material relevance determining the need for a prior opinion have been established for operations not meeting these requirements.
- In cases of exceptional urgency or if the nature of the matter so justifies the Executive Board of Directors may, in a duly reasoned written request to the Chairman of the General and Supervisory Board Chairman, request that the General and Supervisory Board prior opinion be waived. The request will be decided upon by the Chairman of the General and Supervisory Board after consulting at least two General and Supervisory Board Members.
- Definition of specific information obligations regarding the performance of transactions exempted from prior opinion.

The General and Supervisory Board therefore intervened in 15 operations, some of which involved issuing a prior opinion at meetings and the others the waiving of a prior opinion by the Chairman of the General and Supervisory Board.

a) prior opinions at meetings

In 2012, the General and Supervisory Board was asked to issue prior opinions 10 times and all requests were approved:

DATE	SUBJECT
8 Mar.	Articles of Association of EDP Energias do Brasil (EDPB)
22 May	EDP Business Plan 2012-2015 (EDP)
26 Jul.	Termination of collective labour agreement and proposed new agreement (EDB)
6 Nov.	Construction of Facaeni Wind Farm (EDPR)
6 Nov.	Disposal of 49% of <i>assets portfolio</i> of Vento II (EDPR)
6 Nov.	Issue of securities (EDP)
20 Dec.	Disposal of minority shareholding EDPR PT (EDPR)
20 Dec.	Partnership in solar field (EDPR)
20 Dec.	EDP Group Budget for 2013 (EDP)
20 Dec.	Acquisition of 60% of Nobbelsfontein Wind Farm(EDPR)

VALUE OF THE OPERATIONS *	
Total (M€)	1 421
Max. Value (M€)	396
Average Value (M€)	285

*Only includes quantifiable operations

b) waiving of prior opinion

In 2012, Executive Board of Directors asked for a prior opinion to be waived on 5 occasions. The requests for waiving the prior opinion were granted by the Chairman of the General and Supervisory Board, after checking the respective procedures:

DATE	SUBJECT
3 Feb.	Disposal of Naturgas Energia Transporte (Naturgas)
24 Oct.	Escrow deposit contract (EDP)
4 Dec.	Transfer of credits of the part of adjustment of CMEC (EDIS)
4 Dec.	Private placement (EDP Finance BV)
13 Dec.	A-5 energy auction (Cachoeira Caldeirão) (EDPB)

3.4. REPORTS OF THE WORK OF SPECIALISED COMMITTEES

Pursuant to their internal rules, the activity of the specialised committees is monitored by the General and Supervisory Board Chairman and the committees have to provide information to the General and Supervisory Board about their work every six months.

The General and Supervisory Board committees' annual reports and their self-assessments are attached.

3.5. SPECIFIC THEMES OF THE ACTIVITY OF THE GENERAL AND SUPERVISORY BOARD

3.5.1. CONFLICTS OF INTEREST

There are different aspects of the issue of conflicts of interest in the Company's governance practices and it can be divided into the following sub-chapters:

3.5.1.1. CONFLICTS OF INTEREST IN BUSINESS BETWEEN RELATED PARTIES

Under the terms of Article 22, no. 1, i) of EDP's Articles of Association, the General and Supervisory Board must "Monitor and appraise the assessment and settlement of conflicts of interest, including the Company's relations with shareholders and issue opinions on these matters". This power has been delegated on the Corporate Governance and Sustainability Committee.

On 29 July 2010, the General and Supervisory Board approved the regulations on conflicts of interest (Regulations), which are available on the EDP website (www.edp.pt). In short, the reporting obligations set out in these regulations are as follows:

- Up to 30 days after the end of each quarter, the Executive Board of Directors shall inform the General and Supervisory Board Chairman of operations involving potential conflicts of interest.
- Within the same period, Executive Board of Directors must identify the Shareholders owning a qualifying shareholding of at least 2% in EDP or its subsidiaries, calculated pursuant to Article 20 of the Securities Code, and who in the period under review:
 - Are creditors of at least 5% of EDP's liabilities.
 - Are customers that represent at least 1% of total turnover or have originated revenue of at least 5 million euros.
 - Are suppliers representing at least 1% of the total value of external supplies and services or from which services have been acquired to a value of at least 5 million euros.
- Executive Board of Directors shall provide information on contracts and business relationships between EDP and its subsidiaries.

On the subject of the prior opinion mechanism in relation to conflicts of interest (not to be confused with the General and Supervisory Board prior opinion mechanism described in section 3.3), the Regulations set out the parameters governing their mandatory nature and the procedure involved. Since the Regulations came into effect, no situations have arisen in which it was necessary to initiate a prior opinion for a conflict of interest.

Pursuant to the rules applicable to EDP in matters of relevant transactions between related parties, General and Supervisory Board examined the 16 cases submitted to it by the Executive Board of Directors during 2012 under section 4.1 of the Regulations and it concluded that no cases were detected during the year relating to:

- Transactions between related parties that significantly affected EDP's performance or financial situation.
- Transactions between EDP and related parties needing to be included in the annual report because of their material relevance or the fact that they were not performed under normal market conditions.

- Evidence that potential conflicts of interest in the operations identified by the Executive Board of Directors had been settled contrary to the Company's interests.

3.5.1.2. PREVENTION OF CONFLICTS OF INTEREST AT GENERAL AND SUPERVISORY BOARD MEETINGS

Because of its nature and membership, the General and Supervisory Board has settled and prevented potential conflicts of interest likely to arise in its activity, especially when called to give an opinion on matters involving qualifying EDP Shareholders and representatives on this board as counterparties.

In all identified situations of potential conflicts of interest, it was the Members involved who took the initiative to highlight the situation and they abstained from taking part in the relevant discussion and vote.

3.5.1.3. TRANSACTIONS PERFORMED BETWEEN THE COMPANY AND MEMBERS OF THE GENERAL AND SUPERVISORY BOARD OF THE EXECUTIVE BOARD OF DIRECTORS

On 11 May 2012, with the entry into force of the Strategic Partnership Agreement entered into with China Three Gorges on December 2011, the latter (as well as three others of the same group) integrated EDP's General and Supervisory Board as members of the same.

Subsequently, and within the scope of the execution of this partnership, it was entered into an agreement between EDP Renewables Europe and a company of CTG Group (China Three Gorges International (Hong Kong) Company Limited), whereby the parties agree on the sale of a 49% participation on EDP Renováveis Portugal, subject to the prior obtention of the necessary regulatory approvals.

On the scope of its normal activity, EDP performs transactions with several entities, including companies which are in a situation of domain or group with EDP. These operations are executed in normal market conditions for similar transactions, independently of its relevance, and are part of EDP's current activity.

3.5.2. RESTRUCTURING THE SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

2012 was marked by a profound change in the shareholder structure of EDP. As a corollary of this change, General and Supervisory Board appraised its role, mission and duties, and it concluded that the undertaking of a restructuring of its specialised committees would be the best way to respond to the new challenges.

In this context, in addition to the Financial Matters Committee, the Remuneration Committee (both established by virtue of the EDP Articles of Association) and the Corporate Governance and Sustainability Committee, all three existing since 2006, the General and Supervisory Board decided to create two new specialised Committees: the Strategy Committee and the Performance Analysis and Competitiveness Committee.

The predominance of the activity on these committees as regards the issues they are responsible for appraising should be emphasized, and also to strengthen the importance that the

work of the Committees has on conducting the business of the General and Supervisory Board.

Without prejudice to the plenary being the most suitable forum for undertaking supervision and monitoring of the Company, the specialised committees play an essential role as structures for prior analysis of the matters presented and, as such, facilitators of the work to be developed by the General and Supervisory Board.

3.5.3. REGULATORY FRAMEWORK OF THE ELECTRICITY SYSTEM

Throughout 2012, the regulatory framework of the Portuguese electricity system was a particularly relevant theme, given the commitments made by the Government under the MoU entered into with EU, ECB and IMF, which led the system to undergo profound change.

EDP was proactive in shaping the new framework. It played a leading role in the definition of the new framework and although those negotiations were headed by the Executive Board of Directors for EDP, the subject was consistently monitored and advice conveyed by the General and Supervisory Board, particularly in the plenary, where the subject was tackled more than once.

Although the constraints imposed by the MoU have introduced significant economic impacts in relation to the new regulatory framework, it was possible to reach an agreement with the Portuguese Government on the calculation of the CMECs annuity, the power guarantee scheme, the remuneration rate of tariff deficits borne by EDP and the functioning of the Sines Power Station after the end of the CMECs, which will provide this matter with much needed stability.

This stability was also achieved in relation to wind energy. An agreement was reached between the producers of wind energy and the Portuguese Government on these matters.

3.5.4. STRATEGIC CHALLENGES IN THE ENERGY SECTOR IMPACTING ON EDP

The energy sector has been the target of numerous vicissitudes, either because of the context intending to liberalise this market or as a result of the MoU signed between Portugal and EU, ECB and IMF, which introduced the need to make adjustments in that sector, with the aim of complying with the targets established for granting the financial bail-out requested by the Portuguese government.

The consultants BCG, McKinsey and Roland Berger made a presentation to the EU, ECB and IMF on 18 April 2012 on the strategic challenges in the energy sector which impact on EDP, given the instability that exists, together with the opportunity associated with the investment of China Three Gorges in the share capital of EDP.

This presentation, which proved to be of immense interest, aimed to show the vision of those consultants, which have vast know-how and experience in the energy market, as regards the key challenges that impact on the activity of EDP in the energy sector at a time when regulatory issues, the change in the shareholder structure of EDP and the general crisis in Europe lead to the need to reflect on how the Company may obtain greater value.

3.5.5. EDP BUSINESS PLAN 2012 - 2015

Although an initial version of the EDP Business Plan 2012-2015 (BP 2012-2015) was presented in the plenary session of the General and Supervisory Board in October 2011, the process

of reprivatisation undertaken and the subsequent investment of China Three Gorges in the share capital, plus the occurrence of several other alterations, warranted the revision of the BP 2012-2015.

Accordingly, the Executive Board of Directors, with the monitoring and supervision of the General and Supervisory Board, reviewed the Plan that, given the new context, would allow EDP to achieve its objectives.

The draft version of the BP 2012-2015 was assessed at the General and Supervisory Board meeting of 10 May 2012. In the plenary meeting of 22 May 2012, and following several exchanges of view, emphasizing the fact that several comments and suggestions made by the General and Supervisory Board were included in the final BP 2012-2015, this Board issued favourable opinion of the final version of the BP 2012-2015.

The BP 2012-2015 maintains the three strategic pillars associated with the business of EDP and which have been put into practice since 2006, namely, (i) controlled risk, (ii) higher efficiency and (iii) steered growth, which are implemented through a set of strategic priorities, with the successful implementation of the strategic partnership agreement with the China Three Gorges being transversal to those strategic priorities.

3.5.6. STRATEGIC PARTNERSHIP WITH CTG

Reference is repeatedly made throughout this document to the change of the EDP shareholder structure, whereby Parpública sold to China Three Gorges a shareholding of 21.35% in the capital of EDP. Although this transaction may have taken place between that Chinese company and Parpública, its consequences for the Company assumed particular importance, as it allowed EDP to strengthen its position as an integrated energy company, leader in renewable energy and in the creation of value in markets where it can make a difference.

In this sense, EDP and China Three Gorges formalized a strategic partnership, which came into effect on 11 May 2012, with the aim of joint cooperation in achieving synergies and value creation for both parties. This partnership, which will allow EDP (i) to leverage capital and liquidity, (ii) to explore new investment opportunities and (iii) to share capabilities and exploit access to technology, has been marked by the excellent working relationship of the work teams.

The results to be highlighted, due to the importance, are the agreement on the sale by to China Three Gorges company of a minority shareholding in EDP Renováveis Portugal, as well as financing of 1 billion euros granted by the China Development Bank to EDP, announced on 26 July 2012, the negotiations for which China Three Gorges took a leading role. This was the first loan conceded by China Development Bank to a non-Chinese company.

We are confident that these are the first results of a partnership that has proven to be from the outset fruitful, reciprocal and generating value for the parties involved. Moreover, the strategic partnership enhances the maintenance of EDP's strategy with regard to controlled risk, higher efficiency and steered growth. It also represents a challenge of the utmost importance for both EDP and CTG.

3.6. GENERAL AND SUPERVISORY BOARD BUDGET 2012

The General and Supervisory Board budget for 2012 was approved at the meeting of 28 July 2011, prior to the election of General and Supervisory Board for the period 2012-2014, which took place at the General Meeting of 20 February 2012.

Some of the assumptions used in the budget of the General and Supervisory Board for 2012 underwent adjustments because of the start in office of the new mandate and considering the changes as a result of restructuring the specialised committees of the General and Supervisory Board. These budget adjustments focused on:

- The number and membership of General and Supervisory Board Members.
- The number of specialised committees.
- Remuneration of Members.

Budgeted expenses came to EUR 2,889,000, with around 74% of this for remunerations, 56% for remunerations of General and Supervisory Board Members and 18% for remunerations of General and Supervisory Board Office personnel.

In terms of budget implementation, and in line with the endeavours implemented in the Company to streamline costs, through more efficient use of resources, the overall cost of the General and Supervisory Board, including remunerations of members of the General and Supervisory Board, individually stated and identified in the Company's Governance Report, amounted to 2.83 million euros, which represents a saving of around 2%, about 59,000 euros.

This saving was achieved through expenditure on external supplies and services. Remunerations accounted for about 84% of total expenditure.

4. ASSESSMENT OF THE WORK AND PERFORMANCE OF THE GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board has set its main goals in its activity plan focused on two broad categories of duties:

- **Routine, where there was an effort to streamline** the form and effectiveness of the General and Supervisory Board intervention in deliberative and non-deliberative matters.
- **Non-routine, where there was an effort for** the General and Supervisory Board Members to learn more about the Group's reality, markets and activities.

The General and Supervisory Board intervention in routine and deliberative activities focused on:

- Preparing EDP's 2011 Annual Report and Accounts.
- Issuing a favourable opinion on EDP's Budget for 2013.
- Issuing a favourable opinion on EDP's Business Plan 2012-2015.
- Issuing or waiving favourable prior opinions on a significant range of operations, the most important being:
 - Investment projects not initially provided for or individually identified in the Business Plan or 2012 Budget.

- Finance operations via debt issues or divestment of assets
- Examining the quarterly accounts, as well as monitoring budget implementation.
- Monitoring the development of the EDP Group's debt and the processes of obtaining the financing necessary to implement its ambitious investment plan.

4.1. GENERAL AND SUPERVISORY BOARD INDICATORS

	2012	2011	CHANGE
Meetings planned (no.)	8	6	2
Meetings held (no.)	9	10	-1
Members' attendance (%)	77	87	-10
EBD Chairman attendance (%)	100	100	=
Prior opinions (no.)	10	12	-2
Prior opinion waivers (no.)	5	7	-2
Training initiatives/workshops (no.)	1	1	=

4.2. GENERAL AND SUPERVISORY BOARD MEETINGS 2012 - PARTICIPATION

GSB MEETINGS 2012	1ª	2ª	3ª	4ª	5ª	6ª	7ª	8ª	9ª	ATTENDANCE RATE
PRESENCE/DATE	21 FEB.	8 MAR.	18 APR.	10 MAY	22 MAY	26 JUL.	27 SEP.	6 NOV.	20 DEC.	
Eduardo Catroga	P	P	P	P	P	P	P	P	P	100%
Dingming Zhang*					R	P	P	R	P	60%
Alberto Castro	P	P	P	A	P	P	P	P	P	89%
António Gomes Mota	P	P	P	A	P	P	P	P	P	89%
Carlos Santos Ferreira	P	A	P	P	A	A	P	A	P	56%
Felipe Fernández Fernández	P	P	P	P	P	P	P	A	P	89%
Fernando Masaveu Herrero	P	P	P	P	P	P	A	P	P	89%
Guojun Lu*					P	R	R	R	P	40%
Harkat Abderezak	A	P	P	A	P	A	A	A	A	33%
Ilídio Pinho**	P	P	P	P	P	-	P	P	P	100%
Joaquim Reis***	P	P	P	A	P	P	A	-	-	71%
Jorge Braga de Macedo	P	P	P	P	P	P	P	P	P	100%
José Maria Ricciardi	A	P	P	A	A	A	P	P	A	44%
Luis Filipe Pereira	P	P	P	P	P	P	P	P	P	100%
Manuel Alves Monteiro	P	P	P	P	R	P	P	A	P	78%
Maria Celeste Cardona	P	A	P	P	P	A	P	A	P	67%
Mohamed Ali Al-Fahim	P	P	P	P	P	P	P	P	P	100%
Paulo Teixeira Pinto	P	P	P	P	P	P	P	P	P	100%
Rui Eduardo Pena	P	P	P	P	P	P	P	P	P	100%
Wu Shengliang*					P	P	P	P	P	100%
Vasco Rocha Vieira	P	P	P	P	P	P	P	P	P	100%
Victor Gonçalves	P	1	P	P	R	P	P	P	P	89%
Ya Yang*					R	R	R	P	P	40%
Attendance average (including represented Members)	89%	89%	100%	74%	91%	82%	87%	77%	91%	

A - Absent

P - Present

R - Represented

* Functions started on 11.05.2012

** Suspended functions between 29.05.2012 up to 17.09.2012

*** Parpublica representative resigned on 11.10.2012

4.3. SELF-ASSESSMENT OF THE GENERAL AND SUPERVISORY BOARD'S WORK

EDP remains one of the few listed companies in Portugal and abroad that has voluntarily established a formal and impartial process to assess its own work. This distinctive practice adopted by the General and Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation.

Experience gained in recent years has made it possible to make some changes in order to enrich self-assessment. In fact, the process was regarded as particularly important in the transition from one term of office to another, as the assessment's conclusions may enable the new General and Supervisory Board to consider any appropriate adjustments.

At the beginning of this year, the Members of the General and Supervisory Board were invited to complete a self-assessment questionnaire that was divided into two major areas:

- Assessment of the adequacy of aspects of a formal and organisational nature.
- Material assessment of the work of the General and Supervisory Board.

The purpose of the questionnaires was to be an impartial support document for the General and Supervisory Board appraisal with a view to the self-assessment opinion that it has to issue and submit to EDP's Shareholders.

Based on the answers to the questionnaires, the General and Supervisory Board jointly analysed these data at the meeting of 5 March 2013, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the self-assessment of its work and performance in 2012.

The General and Supervisory Board considered its overall performance in 2012 to be excellent, and it consider all the aspects it assessed to be satisfactory in terms of:

- Governance model and Articles of Association.
- Organisation and powers of the corporate bodies of EDP.
- Compliance with internal regulations (internal rules and main decisions- General and Supervisory Board framework activity).
- Structure of committees, respective composition, powers and reporting of information on their work to the General and Supervisory Board.

The material assessment of the work of the General and Supervisory Board was also considered excellent, particularly the activities of:

- Monitoring and supervision.
- Monitoring and advising the Executive Board of Directors.
- Corporate governance practices.

Regardless of the assessment made, the work of the General and Supervisory Board is guided by the continual improvement of its performance, both in terms of the performance of its duties and the relationship with the other corporate bodies of EDP, and also in the best interests of the Shareholders.

General and Supervisory Board

For the purposes of section II.4 of Annex I of Securities Commission Regulation No. 1/2010, the General and Supervisory Board has registered that to date:

- No barriers have been identified that may materially limit or restrict the exercise of its powers or those of its committees.
- The Executive Board of Directors has provided the means, financial and otherwise, that the General and Supervisory Board considers necessary for its activities, and it has adopted the necessary measures to ensure autonomous, independent advice from the General and Supervisory Board.
- The Executive Board of Directors has provided all necessary information for the General and Supervisory Board and its Committees to perform their duties, whether through periodic reporting on its own initiative or on request by the General and Supervisory Board.

5. CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2013

2012 was a year of functional reorganisation for the General and Supervisory Board. A review of the Internal Regulation of the General and Supervisory Board, as well as the creation of two new specialised committees, the Strategy Committee and Performance Analysis and Competitiveness Committee, was undertaken with the aim of enhancing the monitoring by the General and Supervisory Board and improving its contribution. Moreover, adjustments were made to the role and objectives of the existing committees, in order to streamline procedures and improve the quality of their support to the functioning of the General and Supervisory Board, acting in an increasingly demanding environment in the various areas of focus of its powers.

Thus, the General and Supervisory Board sought in 2013 to monitor more closely the activity of the management and performance of the EDP Group, particularly in the most challenging and demanding geographical areas, where the regulatory environment and the market have proven to be volatile, with inevitable repercussions on the Group's performance.

At the committee level, the General and Supervisory Board will continue to improve its functioning in 2013. Endeavours will also be made to enhance the work of all committees, which will provide the Members of the General and Supervisory Board with a range of information and advice that will greatly contribute to its performance improvement.

As part of its supervisory powers, the General and Supervisory Board will direct its work to enabling the achievement of the Group's major strategic priorities identified in the BP 2012-15, and it will seek to ensure that they are always aligned with Shareholders' expectations.

With regard to the challenges we face, particularly in a complex international environment, the General and Supervisory Board expresses its full confidence in the support of EDP's Shareholders to continue providing the Company's corporate bodies, and the Members of the General and Supervisory Board in particular, with all the support and cooperation they need to succeed in the exercise of their powers under the law and Articles of Association.

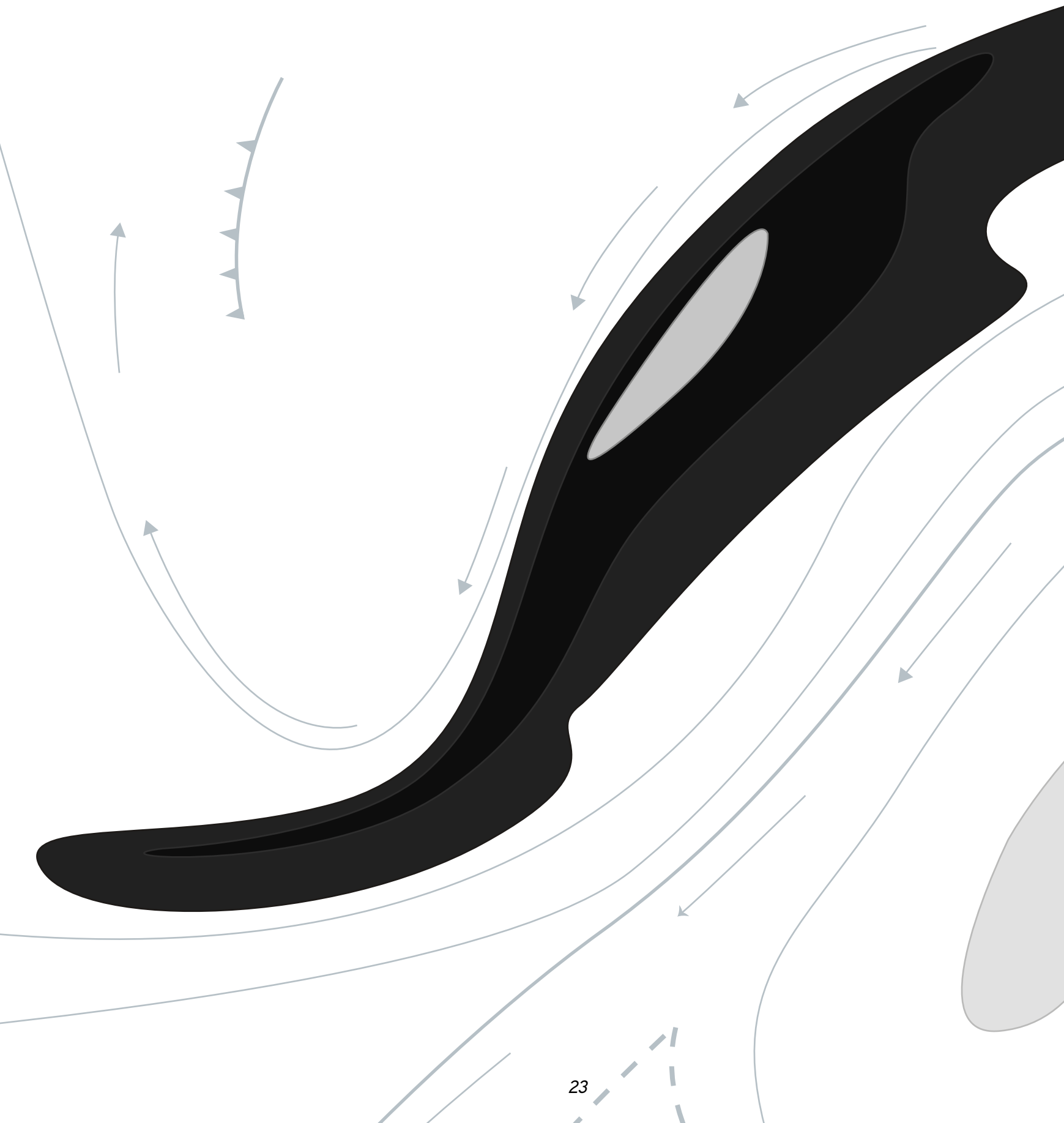
6. ACKNOWLEDGEMENTS

The General and Supervisory Board expresses its thanks to:

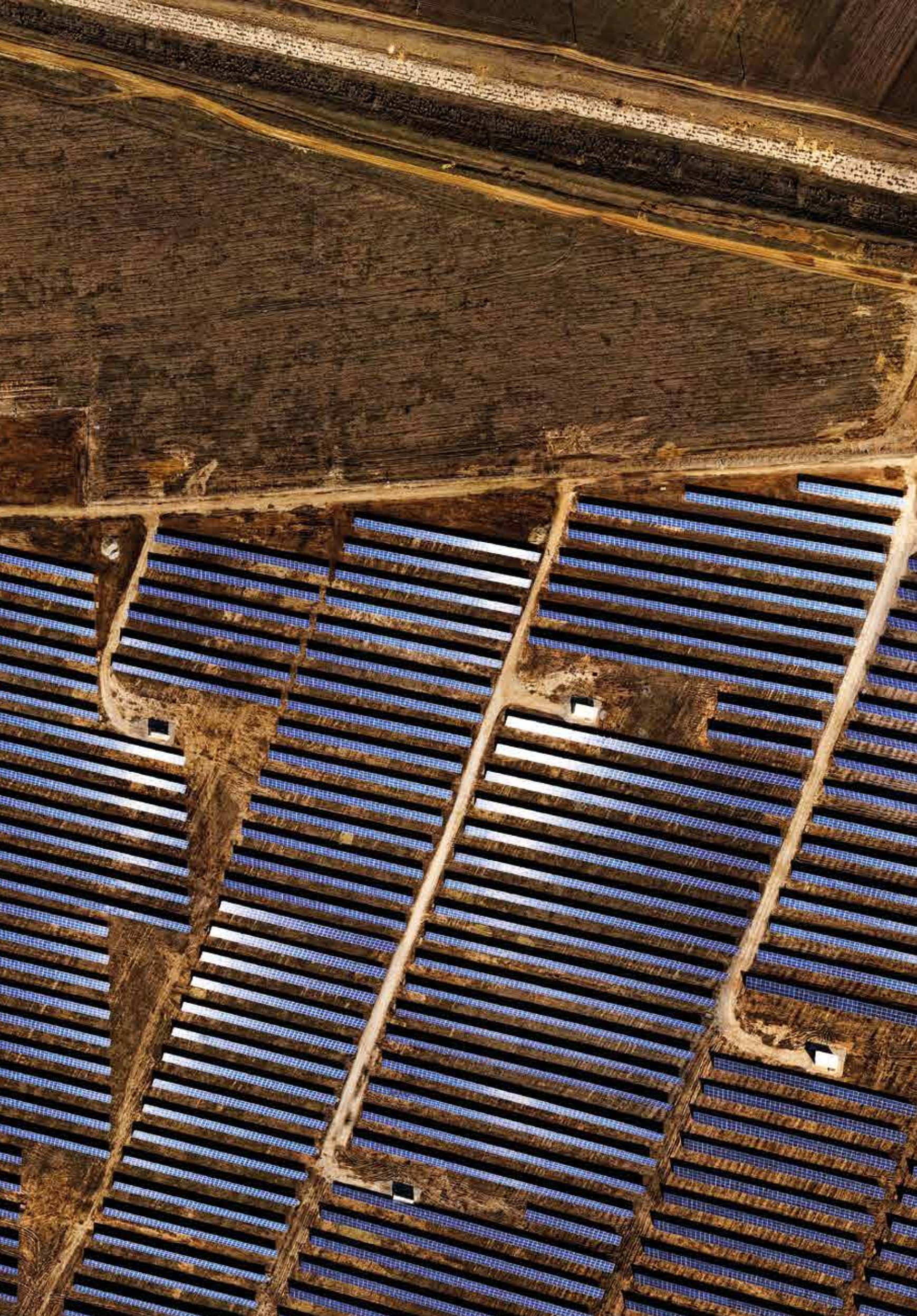
- The Shareholders, for the trust that they have placed in this supervisory body and for the constant support they have given to its functioning.
- The Chairman and Members of the Executive Board of Directors, for the results they have achieved and their professional participation in meetings of the General and Supervisory Board and its specialised committees.
- The members of EDP's corporate bodies and those of the companies of the EDP Group.
- The General Secretariat and Legal Office of EDP for the support provided in the work of the General and Supervisory Board.
- All the employees of the EDP Group, for the manner in which they have contributed to the results achieved.
- The staff of the General and Supervisory Board Office for the support provided to the work of the GSB and its specialised committees.

We express special gratitude to Chairman Cao Guangjing, for the indelible contribution he has made in the implementation and success of the EDP/CTG Strategic Partnership and for his cooperation in deepening relations between the two companies.

We also express our appreciation to the former member of the General and Supervisory Board, Joaquim Reis, for the good work carried out in the General and Supervisory Board prior to resigning in October 2012.









**EDP RENEWABLES
COMMISSIONS ITS FIRST
PHOTOVOLTAIC POWER
PLANT IN ROMANIA**

**65
MW**


PHOTOVOLTAIC
ENERGY

4

SOLAR
PLANTS IN
ROMANIA



ANNEXES

- 28 annex 1**
general and supervisory board's opinion on edp's 2012 annual report and accounts
 - 29 annex 2**
general and supervisory board's statement on edp's 2012 annual report and accounts
 - 30 annex 3**
financial matters committee's opinion on edp's 2012 annual report and accounts
 - 32 annex 4**
statement on the assessment of the executive board of directors in 2012
 - 33 annex 5**
financial matters committee's annual report
 - 36 annex 6**
remuneration committee's annual report
 - 38 annex 7**
corporate governance and sustainability committee's annual report
 - 40 annex 8**
strategy committee's annual report
 - 42 annex 9**
performance analysis and competitiveness committee's annual report
- 

GENERAL AND SUPERVISORY BOARD'S OPINION ON EDP'S 2012 ANNUAL REPORT AND ACCOUNTS

1. Taking into consideration:

- a) The legal and regulatory requirements applicable to the preparation appraisal and publication of EDP's Account and Annual Report, in particular those from the Companies Code, the Securities Code and the CMVM regulations;
- b) The activity developed by the GSB and its Committees during 2012 as recorded in the Annual Report;
- c) The documentation presented for the assessment of EDP's Accounts and Annual Report 2012, provided by the EBD, the Statutory Auditor, the External Auditor, the FMC namely:
 - i. The detailed presentation made by the EBD on EDP's Account and Annual Report 2012, highlighting the main financial indicators, which are reproduced below:

(EUR MILLION)		
INDICATORS	EDP SA	EDP GROUP
Gross profit	88	5,428
EBITDA	- 104	3,628
EBIT	- 115	2,143
Net profit	833	1,012 ⁽¹⁾
Net assets	20,853	42,628
Total equity	6,886	8,192 ⁽¹⁾
Total liabilities	13,967	31,196
Net debt	3,662	18,233

(1) Attributable to the shareholders of EDP

- ii. The Report and Opinion of the Statutory Auditor through which it proposes that the Annual General Meeting approve the Executive Board of directors annual report and the financial statements for the exercise ending in 31 of December of 2012.
- iii. The legal certification of individual and consolidated accounts and the External Auditor review report presented by KPMG, including the conclusion that, based on work performed:
 - The consolidated and the individual financial statements present fairly, in all material respects, the financial position of EDP, as of the 31st of December 2012, the results of its operations, cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.
 - The financial information included in the Executive Board of Directors Report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º- A of the Securities Code (CVM).
- iv. The presentation made by the KPMG concerning its report on the EDP SCIRF (Financial Information Report Control System), which concluded that its controls were properly designed and operated effectively during the financial year of 2012.
- v. The Financial Matters Committee opinion on the Accounts that allows for the conclusion:
 - That Financial Matters Committee appreciates favorably the Management Report and the individual and consolidated IFRS accounts of Group EDP for the exercise ending in 31 December 2012,

- That the design and functioning of SCIRF is satisfactory and the operation of the Risk Management Systems minimizes business risks.

2. The GSB has decided unanimously:

- a) To express its agreement in relation to the EDP's Accounts and Annual Report 2012.
- b) To declare, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2012 and foreseen in article 245, no.1 section a) of the Securities Code (annual report and accounts, legal certification of the accounts and all other financial documents) was prepared in conformity with applicable accounting rules, giving a true and appropriate image of assets and liabilities, financial situation and financial results of EDP and of companies in control or group relationship with EDP, and that the 2012 annual report presents fairly the business evolution, the position and the performance of EDP and of companies in control or group relationship with EDP, and describes the main risks and uncertainties faced.
- c) To confirm that the report on EDP corporate governance includes the elements required by article 245 - A of the Securities Code of the Securities and CMVM Regulation No. 1/2010.
- d) To declare that given the information provided by the EBD in the course of 2012 there were no:
 - i. Transactions between related parties that have affected significantly EDP's financial situation or performance.
 - ii. Transactions between EDP and related parties that must be communicated in the management report, due to its material relevance or because they were concluded outside normal market conditions.
 - iii. Evidence that all the potential conflicts of interest derived from operations identified by the EBD, have been resolved in ways contrary to the company's interests.
- e) To express its agreement to the Audit Committee opinion on the Statutory Auditor and External Auditor performance and independence, according to which the Audit Committee has assessed positively the work done by KPMG, considering that it has carried out its professional duties with quality, competence, accuracy, impartiality and independence.
- f) To recommend to the EDP Annual Shareholders' General Meeting the approval of the 2012 individual and consolidated Accounts and Annual report, as well as the Executive Board of Directors' proposal for results allocation.

Eduardo Catroga
Chairman of the General Supervisory Board

Lisbon, March 5th 2013



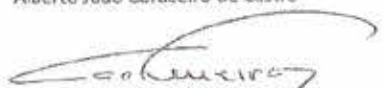
GENERAL AND SUPERVISORY BOARD'S STATEMENT ON EDP'S 2012 ANNUAL REPORT AND ACCOUNTS

Pursuant article 245º, n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP), the information referred in article 245º, n.º 1, paragraph a) of CVM (management report, financial statements, accounts legal certification and remaining accounts reporting documents), in 2012, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of EDP and subsidiaries included in the consolidation perimeter, and that the annual management report faithfully states the trend of the business, the performance and position of EDP and subsidiaries included in the consolidation perimeter, and contains a description of the principal risks and uncertainties faced.

Lisbon, 5th of March 2013


Eduardo de Almeida Catroga - Chairman

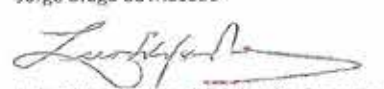

Alberto João Coraceiro de Castro


Carlos Jorge Rangelho dos Santos Ferreira


Fernando Maria Masaveu Herrera


Guojin Lu (as representative of da China International Water&Electric Co.)


Jorge Braga de Macedo


Luis Filipe da Conceição Pereira (as representative of da José de Mello Energia, S.A.)


Maria Celeste Ferreira Lopes Cardona

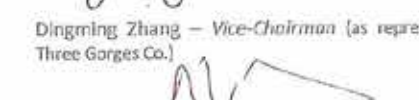

Paulo Jorge de Assunção Rodrigues Teixeira Pinto


Shengliang Wu (as representative of China Three Gorges International Europe, S.A.)


Vitor Fernando da Conceição Gonçalves




Dingming Zhang – Vice-Chairman (as representative of China Three Gorges Co.)


António Sarmento Gomes Mota


Felipe Fernández Fernández (as representative of Liberbank, S.A.)



Harist Al-Jarrah (as representative of Sonatrach)


Ilídio da Costa Leite de Pina


José Maria Espírito Santo Silva Ricciardi


Manuel Fernando de Macedo Alves Monteiro


Mohamed Al-Fahim (as representative of da Senhora SARL)


Rui Eduardo Ferreira Rodrigues Pena


Vasco Joaquim Rocha Vieira


Ya Yang (as representative of China Three Gorges New Energy Co.)

OPINION OF THE GENERAL AND SUPERVISORY BOARD'S FINANCIAL MATTERS COMMITTEE

1. In the exercise of the duties conferred by EDP's Articles of Association and by General and Supervisory Board's internal regulation, the Financial Matters Committee (FMC) has elaborated the present Report, issuing its Opinion on the Annual Report and Financial Statements of EDP, for the period ended at 31 December 2012, taking into consideration the information obtained regarding the Group's business portfolio, its financial situation, the functioning of the internal control and risk management systems, the conclusions drawn from the analysis of the information and documentation present in the financial statements of the EDP Group and the information gathered from the Statutory Auditor (SA) and the External Auditor (EA).
 2. During the course of the fiscal year of 2012, the Committee held periodic meetings with executive management and other corporate managers of EDP, which allowed for a permanent supervision of the financial information, internal control and audit, and the risks inherent to the business activities of EDP in different geographies, namely:
 - i. With the Executive Board of Directors (EBD), in order to produce a preliminary assessment of the financial statements and to present the *drafts* of the *Scorecard*, the *Package IFRS* and the Annual Report and Financial Statements of EDP;
 - ii. With the corporate managers of EDP, namely with the Consolidation and Taxation Department (CC-DCF) and the Management Control Department of the Corporate Centre (CC-DCG), where information was presented and discussed which was relevant to the consolidated financial statements, variations in the consolidation perimeter, adopted accounting principles and policies and other situations of interest for the FMC;
 - iii. With the managers of the Internal Audit Department (CC-DAI) and the Risk Management Department of EDP (CC-DGR), where a presentation and discussion were held over the conclusions gathered from the audit and internal control works, as well as the main issues concerning the integrated functioning of the internal risk management systems, within the EDP Group;
 - iv. With the manager of the Legal Office (CC-SGAJ), where the major conclusions of the EDP Group's Litigation folder were presented and discussed, particularly with regards to the main litigation cases and other ongoing contingencies and the review of the provisions made, in accordance to the risk assessment made under the IAS 37.
 3. Also relating to the year of 2012, the FMC received:
 - i. From the Control and Audit Committee of the *Hidroeléctrica del Cantábrico* (HC), the favourable prior opinion on the accounting criteria and financial statements of the HC Group and the favourable opinion on the Annual Report on Corporate Governance;
 - ii. From the Audit Committee of EDP Renováveis, the favourable opinion on the Annual Report and Consolidated Financial Statements of EDP.
 - iii. From the Audit Committee of EDP-Energias do Brasil, the favourable opinion on the approval of the accounts of the Management and financial statements of the Company and its subsidiaries, rejecting the proposal made by the Independent Auditor (*Deloitte*) on the subject Beneficial Parties on the Subsidiary Lageado Energia, S.A. ("Partes Beneficiárias na controlada Lageado Energia, S.A."), supporting and reinforcing its own opinion with a technical report issued by an independent entity.
 4. The FMC also held meetings with the Statutory Auditor (SA) and the External Auditor (EA) of EDP, to know and appraise the conclusions gathered from the audit and account revision works regarding the period ended on December 31st 2012, which were presented and discussed, namely:
 - i. The conclusions on the work made on the consolidated financial statements of EDP, which include the Financial Position (a total of **42,628 M€** and equity of the EDP Group of **8,192 M€**) and the Income Statement (with revenues of **16,340 M€** and a profit attributable to EDP shareholders of **1,012 M€**).
 - ii. The conclusions on the evaluation of the Financial Reporting Internal Control System (SCIRF), which included the results of the designs and operational effectiveness tests made on approximately **2,000 controls**, in accordance with the defined global, application and general IT control typologies;
 - iii. The conclusions on the information and documentation analysis related to the remuneration policies and systems of the governing bodies;
 - iv. The conclusions on the information analysed regarding the two objections made to the accounts, reported by the independent auditor of EDP - Energias do Brasil (*Deloitte*) to the SA/EA of EDP (*KPMG*), the first referring to the record of "Partes Beneficiárias na controlada Lageado Energia, S.A." (already mentioned in point 3.iii), and the second related to the record of "Obrigações especiais na distribuição", which only affects the EDP Group's consolidated accounts. The accounting treatment adopted by the Board of Directors in these issues, which backed its understanding with the reports of independent entities, has been confirmed by the SA/EA of EDP, against the opinion expressed by the independent auditor of EDP-Energias do Brasil.
- Pursuant to these conclusions, the SA/EA of EDP have issued, without any objections, (1) the Legal Certification and Audit Report on the Individual and Consolidated Accounts of EDP; (2) The Opinion on the SCIRF consolidated evaluation and (3) The Opinion on the application of the remuneration policies and systems of the governing bodies.
5. Based on the supervision of the main aspects of the businesses and activities of the EDP Group and the analysis and discussion of the information and documentation provided by the managers on different levels, particularly the Executive Board of Directors, the corporate managers of the departments of Management

Control, Consolidation, Internal Audit, Risk Management, the Statutory Auditor and the External Auditor, the FMC considers it has obtained all clarifications regarding the issued presented on the Annual Report and Financial Statements of EDP, for the year ended on December 31st 2012.

6. Considering the mentioned above and not being aware of any materially relevant circumstances which may affect the accuracy of the financial information produced and made available by the company or the appraisal of the quality of the work done by EDP's SA/EA, or its independence, and once it has issued a favourable opinion to the accounting treatment to be given by the company to the matters encompassed by the objections made to the financial statements of EDP Brasil, the FMC:

I. Issues a favourable opinion on the individual and consolidated Annual Report and Financial Statements of EDP, for the year ended as at 31 December 2012 and on the profits from the operations at that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and with the legal and statutory provisions in force;

II. Assesses positively the operability of the Financial Reporting Internal Control System (SCIRF), which has contributed to ensure the increased accuracy of the financial information issued by the company through its continuous improvements;

III. Evaluates as adequate the functioning of the Internal Risk Management Systems, which are in accordance to the internal policies and procedures defined by the EDP Group and the best corporate practices on the subject, having contributed to the improvement in the control and mitigation of the risks inherent to the business activities and its underlying processes.

STATEMENT ON THE ASSESSMENT OF THE EXECUTIVE BOARD OF DIRECTORS IN 2012

The General and Supervisory Board, in the uncompromising pursuit of the interests of the EDP and in the exercise of its powers and without prejudice to the principle of institutional cooperation that steers the relationship with the Executive Board of Directors, believes and has also put into practice a principle of maximum exigency and accountability, which has special significance in terms of the assessment of the work and performance of the Executive Board of Directors.

EDP remains one of the few listed companies in Portugal and abroad that has voluntarily established a formal and impartial process to assess the work of the Executive Board of Directors. This distinctive practice adopted by the General and Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation, and it acknowledges the continued effort of excellence in corporate governance practices that the General and Supervisory Board has sought to develop.

At the beginning of this year, the members of the General and Supervisory Board were invited to complete a questionnaire concerning the assessment of the Executive Board of Directors, that was divided into two major areas:

- Assessment of the adequacy of aspects of a formal and organisational nature.
- Material assessment of the work of the Executive Board of Directors.

The purpose of the questionnaires was to comprise an impartial support document for the General and Supervisory Board appraisal with a view to the opinion on the assessment of the Executive Board of Directors that this body must issue and submit to EDP's Shareholders for voting on.

Based on the answers to the questionnaires, the General and Supervisory Board jointly analysed these data at the meeting of 5 March 2013, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the process of assessment of the work and performance of the Executive Board of Directors in 2012.

The General and Supervisory Board assessed all aspects under evaluation as satisfactory in terms of:

- Organisation and powers of the Executive Board of Directors (internal rules, composition and division of responsibilities).
- Compliance with the provisions defined by the General and Supervisory Board on:
 - The issue and waiving of prior opinions.
 - Handling conflicts of interest.
 - Additional audit services.

The General and Supervisory Board considered the overall performance of the Executive Board of Directors in 2012 to be excellent, with particular emphasis on the following areas of activity:

- Strategy.
- Financing.
- Communication and image.

Regardless of the assessment made, the work of the Executive Board of Directors is guided by the continual improvement of its performance, both in terms of the performance of its duties and the relationship with the other corporate bodies of EDP, and also in the best interests of the Shareholders.

FINANCIAL MATTERS COMMITTEE'S ANNUAL REPORT

1. MEETINGS

NAME	%	3 JAN	10 FEB	2 MAR	27 MAR	4 MAY	1 JUN	29 JUN	20 JUL	14 SEPT	12 OCT	31 OCT	27 NOV	14 DEC
Eduardo de Almeida Catroga (Presidente)	100			P	P	P	P	P	P	P	P	P	P	P
Vítor Fernando da Conceição Gonçalves (Vice-Presidente)	100	P	P	P	P	P	P	P	P	P	P	P	P	R
António Sarmento Gomes Mota	100	P	P	P	P	P	P	P	P	P	P	P	P	P
Manuel Fernando de Macedo Alves Monteiro	84.6	P	P	P	P	P	P	P	R	P	P	P	A	A
Maria Celeste Ferreira Lopes Cardona ⁽¹⁾	55.6					P	P	A	A	P	P	A	A	P
P&R vs. Total		3/3	3/3	4/4	4/4	5/5	5/5	4/5	4/5	5/5	5/5	4/5	3/5	4/5
%	89.8	100	100	100	100	100	100	80	80	100	100	80	60	80

Total meetings in 2012 = 13

Average attendance rate = 89,80%

P = Present

A = Absent

R = Represented

(1) Appointed by the General and Supervisory Board on 18 April 2012

2. INTRODUCTION

The Financial Matters Committee mission, under the powers delegated by the General and Supervisory Board, is to permanently monitor and oversee:

- a) The Company's financial matters.
- b) Internal procedures concerning the areas of auditing, accounting practices followed by the Company and the internal control system of financial information and financial reporting, in coordination with the Internal Audit Department.
- c) Matters relating to the risk management process, particularly fiscal, legal and financial aspects.
- d) The work and independence of the Company's statutory auditor and external auditor, with which it should keep close relations.

On 21 February 2012, and given the requirements for the General and Supervisory Board to have an Audit Committee, according to the provisions of Article 23(2) of the Articles of Association, the General and Supervisory Board decided to establish the Financial Matters Committee, with the following members:

- Eduardo de Almeida Catroga (Chairman)
- Vítor Fernando da Conceição Gonçalves
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro

On 18 April, following the appraisal of the restructuring of specialised committees of the General and Supervisory Board, the General and Supervisory Board decided to change the members of the Financial Matters Committee to the following, all considered to be independent:

- Eduardo de Almeida Catroga (Chairman)
- Vítor Fernando da Conceição Gonçalves (Vice-Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona

3. WORK PERFORMED

During 2012, the Financial Matters Committee held 13 meetings. Besides these regular meetings, members of the Committee held frequent informal meetings, as is usual, and exchanged information on the most significant issues or those requiring

urgent decision, related to the activity of the Financial Matters Committee.

The Financial Matters Committee, on the most diverse matters subject to monitoring and supervision, and taking into account the objectives defined in the Articles of Association and law:

- Attended the meetings of the Executive Board of Directors that presented and discussed the draft accounts for 2011 and for the 1st and 3rd quarters and 1st half of 2012;
- Held meetings of the Committee and invited to speak at them, whenever it deemed necessary and appropriate, the representatives of the services of EDP with duties and responsibilities on the issues under consideration and the Statutory Auditor and External Auditor (KPMG).

The meetings held covered the areas set out in the Activity Plan of the Financial Matters Committee for 2012, with the main goal being to obtain information and analyse the matters of most relevance, with particular focus on the following:

- *Supervision of financial reporting and the business of EDP* – Appraisal and discussion of relevant financial information contained in the Condensed Financial Statements and Management Reports, variations in the consolidation perimeter, the accounting principles and policies adopted and other situations of interest to the Financial Matters Committee, tasks that involved the participation of corporate managers of EDP (Consolidation, IFRS Reporting and Taxation Department [DCF] and the Management Control Department of the Corporate Centre [DCG]);
- *Monitoring the activity of the Internal Audit Department (DAI)* - Approval of the proposed Activity Plan for 2011; Supervision of the implementation of the annual audits plan and monitoring of the audit reports issued, (Portugal, Hidrocantábriico, EDP Renováveis and EDP Energias do Brasil), the evolution of improvement initiatives arising from the SCIRF project and the implementation status of the recommendations made by the DAI, with reference to 2011 and the first three quarters of 2012; these being tasks on which the Manager of the DAI Department assisted; The Financial Matters Committee also assessed the activity and performance of the Corporate Internal Audit of the EDP Group, for the year 2011;

- *Monitoring the situation of the EDP Group Pension Fund* - Analysis of information and relevant documentation on the evolution of the activity of the Fund in 2012. The relevant corporate manager of EDP assisted with this task (Financial Department of the Corporate Centre [DFN]);
- *Monitoring litigation cases of the EDP Group* - Supervision of information and documentation in the ongoing litigation folder of the EDP Group relative to 2012. The relevant corporate managers of EDP assisted with this task (General Secretariat and Legal Office of the Corporate Centre [SGAJ]);
- *Monitoring the activity of the Risk Management Department of the EDP Group* - Analysis of the work of the Risk Management Department in terms of management of business risk, operational risk, financial risk and reporting risk. The relevant corporate manager of EDP assisted with this task (Risk Management Department [DGR]);
- *Monitoring the contractual relationship with the SA and EA, their work and evaluation of the objective conditions of their independence* - Appraisal and approval of the Proposal to contract Statutory Audit and Audit Services for the year 2012; Appraisal and approval of requests to authorise additional audit services to be provided by the Statutory Auditor/External Auditor, requested by DCF for the year 2012; Appraisal of the reports on the conclusions concerning the Financial Statements of EDP and EDP Finance BV, for the year 2011 (in this case, also the Opinion issued) and for the 1st and 3rd quarters and 1st half of 2012; Appraisal of the report on the conclusions and opinion about the SCIRF of the EDP Group for the year ended 31 December 2011; Supervision of the performance of contracts for the provision of audit services and additional services; analysis of information relating to objective conditions for the independent performance of the roles of SA/EA. In the monitoring of these matters, the Committee was able to count on the participation of the representatives of KPMG, whenever necessary, including the partner responsible for audit services provided to EDP;
- *Monitoring of Whistleblowing* - Analysis of complaints received and report on the conclusions drawn, with reference to 2012. None of the 18 complaints had an impact on accounting, finance, internal control and audit matters. Although the reports of irregularities received did not fall within the jurisdiction of the Financial Matters Committee, it always requested from the competent services of EDP, where applicable, the follow-up and reporting of the results of any action taken when ended.
- *Relationship with the Audit Committees of subsidiaries of other EDP geographical areas* - Monitoring the work, agendas and minutes of the meetings and the reports/opinions issued by the audit committees of Hidrocontábrico, EDP Renováveis and EDP Energias do Brasil, on the financial statements for 2011 and those for the first three quarters of 2012;

The Financial Matters Committee sought, through its work, to strengthen the knowledge of the mechanisms and procedures in place, to prevent or detect the occurrence of any events which affect the capacity of the EDP Group, with the aim of:

- Producing, analysing and disclosing relevant information that gives a true and appropriate picture of EDP's financial and economic situation;
- Minimising the risk of intentional error in financial information and the improper use or misappropriation of EDP resources.

The conclusions drawn from the work and tasks undertaken provided the basis for the Financial Matters Committee to issue reports and opinions on the Accounts of EDP and EDP Finance BV for 2011 and the 1st and 3rd quarters and 1st half of 2012;

Lastly, the Financial Matters Committee approved the Activity Plan for 2013, a work tool containing the main activities to be undertaken by the committee in each month of the calendar year. This document not only contributes to greater efficacy and efficiency of the functioning of the Committee in the future, but also places its work in line with internationally accepted best corporate governance practices in force.

4. ASSESSING THE WORK AND INDEPENDENCE OF THE STATUTORY AUDITOR AND EXTERNAL AUDITOR

The Financial Matters Committee paid special attention to the nature and scope of services provided by the Statutory Auditor and the External Auditor (KPMG) to EDP Group, in order to assess its independence and compliance with the contract and principles of good practices governing the activities of audit companies and their representatives at the companies they audit, considering:

- The services contracts signed between EDP and KPMG;
- Compliance with Securities Commission Regulation No. 1/2010 (section III.17 of Chapter III - Information and Auditing);
- Securities Commission Recommendations of 2012 (section III.1.5 of Chapter III .1- Information and Auditing - General Information Duties);
- The Internal Rules of EDP on the Provision of Services by the Statutory Auditor and External Auditor of EDP.

Moreover, the analysis of the information provided by KPMG to this Committee in 2012 gives no indication of conflicts of interest or situations affecting the independence of KPMG (SA/EA) to provide professional services to the EDP Group.

In view of the information provided, the Financial Matters Committee gives a positive assessment of the work carried out by the Statutory Auditor/ External Auditor, and it is pleased to register more consistent, systematic, and comprehensive work carried out to adequate depth in its relationship with the Statutory Auditor/External Auditor. This work was pursued in order to implement a more proactive Committee, seeking to promote continuous interaction between the Statutory Auditor/External Auditor and Committee, which resulted in an improvement of the information mechanisms and tools and more efficient performance.

5. EDP'S STATUTORY AUDITOR/EXTERNAL AUDITOR CONSULTATION: FOR THE PERIOD 2014-2016

Recommendation III.1.3 of the Securities Commission Corporate Governance Code states that companies must promote the rotation of auditors after two or three terms, depending on whether these are four or three years, respectively. The continuation of the auditor beyond this period must be well-reasoned in a specific opinion of the supervisory board, which specifically considers the conditions of independence of the auditor and the benefits and costs of replacement.

In March 2012, the General and Supervisory Board considered that given the thorough evaluation by the Financial Matters Committee of the independence and quality of the work performed by KPMG, as well as weighing up the conditions of independence of the Statutory Auditor and the External Auditor and the benefits and costs associated with replacement, the continuation of KPMG proved to be well founded in terms of safeguarding the interest of the EDP and its shareholders. Such decision is without prejudice to possibly holding a call for tenders during the period 2012-2014 for the provision of external audit services, in line with Securities Commission Recommendation III.1.3. of the Corporate Governance Code of 2010.

European Directive No. 2006/43/EC, transposed into national law by Decree-Law No. 224/2008 has established the need for rotation of the partner responsible for managing or the direct implementation of the statutory audit seven years from the date of their appointment

At the General Meeting of 17 April 2012, KPMG, represented by Vítor Manuel da Cunha Ribeirinho, was elected to the post of Statutory Audit of EDP to hold office for the period 2012-2014, thereby adopting the referred CMVM Recommendation.

In parallel, regarding External Auditor rotativity, KPMG remains as EDP External Auditor, and Vítor Manuel da Cunha Ribeirinho, partner responsible for KPMG audit area, has replaced Jean-éric Gaign as partner responsible for the orientation and direct execution of EDP accounts legal revision, which demonstrates the adoption, by the Company, of the Securities Commission Recommendation above referred.

During 2012, the General and Supervisory Board delegated in the Financial Matters Committee to monitor this issue, and that Committee submitted a proposal to keep the current Statutory Auditor/ External Auditor of EDP up to the end of 2013, which will allow the General and Supervisory Board currently in office to obtain a deeper understanding of its activities, performance and independence. This will simultaneously allow the General and Supervisory Board to be appointed for the period 2015-2017 to have a longer relationship with the Statutory Auditor/External Auditor that is elected/hired for the period 2014-2016, with no need for renewal or holding a call for tenders at the start of its term of office.

6. ASSESSMENT OF THE WORK

A new term of office of the corporate bodies of EDP, and therefore of the Financial Matters Committee, began in 2012. The Financial Matters Committee, therefore, received a new Chairman, Eduardo de Almeida Catroga and a new member, Maria Celeste Ferreira Lopes Cardona. It retained the three members that served the previous term of office: Vítor Fernando da Conceição Gonçalves, António Sarmiento Gomes Mota and Manuel Fernando de Macedo Alves Monteiro.

As usual, there were two key objectives for the year: (i) provide each member of the Financial Matters Committee and to the Committee as a whole, a space for reflection on its performance, namely how it addressed the issues established in its Annual Activity Plan as well as, according to the duties it should perform under law, the Articles of Association, the Internal Rules of the Financial Matters Committee and other documents in force in EDP that concern the matters on which the Financial Matters Committee should focus its attention, and (ii) allow the Committee to adopt, where appropriate, measures to improve its procedures and how it acts, aimed at making it more efficient in its future work.

Thus, the Financial Matters Committee highlights, as a result of its self-assessment:

- the strengthening of the routines and procedures that underpin the Committee's action;
- improved action of the Financial Matters Committee with its main partners (Executive Board of Directors, Audit Committees of subsidiaries, Statutory Auditor and External Auditors, Internal Audit, Risk Management, Accounting Consolidation and Taxation, Management Control and other relevant areas of the company);
- sounder knowledge on the part of the Financial Matters Committee and its Members of the activity of the Company and its businesses, especially in the fields of internal audit, risk and accounting consolidation and taxation.

Although it is the constant intention of the Financial Matters Committee to improve its performance, the fact is that taking into account the knowledge it has of the practices pursued in other national and international companies against it can be compared, the Committee considers that the standards of conduct by which it is guided are quite high. Furthermore, it is aligned with the recommendations of best practices that address the topics falling within its remit. Consequently, the Financial Matters Committee remained committed to guiding its work by an attitude of thoroughness, transparency and independence, affirming the audit as being a tool at the service of the Company, inducing a culture of thoroughness and transparency that serves the stakeholders and the sustainability of the Company in the creation of value.

REMUNERATION COMMITTEE'S ANNUAL REPORT

1. MEETINGS

NAME	%	15-MAR	2-MAY	9-MAY
Alberto João Coraceiro de Castro	100	P	P	P
Eduardo de Almeida Catroga	100	P	P	P
José Maria Espírito Santo Silva Ricciardi	100	P	P	P
P&R vs Total		3/3	3/3	3/3
%		100	100	100

Total meetings in 2012 = 3
Average attendance rate = 100%
P - Present; A - Absent; R - Represented
* Suspended fuctions between 29.05.2012 and 17.09.2012

2. INTRODUCTION

The General and Supervisory Board, pursuant to Article 27 of the EDP Articles of Association, must establish a remuneration committee to define the remuneration of the members of the Executive Board of Directors as well as any add-ons, notably old age or disability retirement pension supplements. This Committee must have a majority of independent members.

The General and Supervisory Board, because it was elected on 20 February 2012 and since, under Law no. 28/2009 of 19 June and the Articles of Association, a statement on the remuneration policy of the members of the Executive Board of Directors would have to be submitted for approval at the General Shareholders Meeting, decided to renew the term of office of the three Members of the previous term in the interest of ensuring the continuity of the institutional activity of the Remuneration Committee. These Members are Alberto João Coraceiro de Castro (Chairman), Eduardo de Almeida Catroga and José Maria Espírito Santo Silva Ricciardi, without prejudice to come to a further alteration of the Members, which did in fact occur on two different occasions, namely:

- On 18 April 2012, the General and Supervisory Board unanimously decided to appoint as members of the Remuneration Committee, Alberto João Coraceiro de Castro (Chairman), José Maria Espírito Santo Silva Ricciardi and Paulo Jorge de Assunção Rodrigues Teixeira Pinto. The General and Supervisory Board also decided that the member José Maria Espírito Santo Silva Ricciardi would be replaced by Guojun Lu as a member of the Remuneration Committee as soon as the latter took up office as a full member of the General and Supervisory Board.
- On 22 May 2012, and following the appraisal of the need to broaden the composition of the Remuneration Committee, keeping a representative of a Portuguese shareholder as a member of this Committee in order to ensure better articulation with remuneration practices in Portugal and a continuity of adequate remuneration practices of EDP, the Remuneration Committee became composed of the following five members: Alberto João Coraceiro de Castro (Presidente)
 - Alberto João Coraceiro de Castro (Chairman)
 - Ilídio da Costa Leite de Pinho
 - José Maria Espírito Santo Silva Ricciardi
 - Guojun Lu
 - Paulo Jorge de Assunção Rodrigues Teixeira Pinto

3. WORK PERFORMED

The Remuneration Committee held three regular meetings during 2012, while still with its initial composition. These meetings were attended by all its Members. In addition to the regular meetings, the Committee Chairman, as had been the practice, held several working meetings involving one or more members of the Remuneration Committee. These meetings were particularly frequent after the change in members of the Remuneration Committee, since it was necessary to familiarize new Members with the workings and details of the remuneration policy approved by the General Shareholders Meeting. In addition to informal work there was also an exchange of written information on topics relevant to the activity of Remuneration Committee.

Regardless of whether the work of the Remuneration Committee is undertaken throughout the year, formal meetings tend to be concentrated in the initial months the year, by virtue of legal requirements, namely the requirements to submit to the Annual General Shareholders Meeting a statement on the remuneration policy of the members of the Executive Board of Directors.

The work of the Remuneration Committee was essentially divided into two different phases over 2012.

The first resulted from the need for the Remuneration Committee to redefine the remuneration policy of the members of the Executive Board of Directors for the new term of office.

In this regard, and as has been common practice, the Remuneration Committee conducted a comparative analysis of the remuneration policy adopted by EDP and that of the main reference companies (majors of the PSI20, Iberian counterparts and companies of the Eurostoxx Utilities) and, in particular, the recommendations of major international organisations and oversight institutions as the principal pillars.

The Members, in their various interactions, conducted a detailed examination of each of the principal pillars of remuneration policy and how the chosen indicators allowed, or not, the purpose of ensuring a competitive remuneration mix to be achieved, as well as design a system of incentives that could be considered a paradigm in aligning business executive management with the interests of Shareholders and business partners, from a perspective of economic and financial sustainability.

Consequently, and despite the transformation of the shareholder structure that was ongoing at that time, as well as the review of the business plan, the various interactions between the members of the Remuneration Committee resulted in the perception that there were no reasons to change the basic principles that have guided the setting of the remuneration , including maintaining a variable component that is double the weight of the fixed component, and where multi-year performance factors are weighted more strongly than those for annual performance.

The first phase culminated in the General Shareholders Meeting of 17 April 2012, with the approval of the statement on remuneration policy for the Executive Board of Directors for the period 2012-2014, submitted by the Chairman of the Remuneration Committee.

In the second phase, the main concern was that of, as is usual, setting the variable remuneration of the members of the Executive Board of Directors, based on the guidelines already approved for the 2009-2011 period. As that management body had completed its term of three years, in addition to determining the annual variable component, there was the need to make a performance evaluation for that period, so that the variable multi-year remuneration could be calculated. You are to be reminded that the adopted remuneration structure contains, in addition to a fixed component, two variable components: (i) one that seeks to reflect annual performance and (ii) another that results from an assessment of the performance for the term of office as a whole (2009 - 2011).

The Remuneration Committee was assisted in its duties by the staff of the General and Supervisory Board Office.

4. ASSESSMENT OF WORK

2012 was atypical, given the changes to the composition of the Remuneration Committee. Therefore, it was not considered appropriate to conduct a specific questionnaire to assess the work of the Committee in 2012.

Nonetheless, based on a process of joint appraisal, the members of the Remuneration Committee considered that, in general, the Committee had a clearly positive performance with regards to its legal and statutory duties. Nevertheless, and with a view to continuous improvement, the Members decided to continue with and expand the discussion on the appropriateness of the indicators used, and the weighting assigned to them to define the variable remuneration components. The work plan for next year also includes other aspects related to the out-of-phase payment of the variable multi-year component.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE'S ANNUAL REPORT

1. MEETINGS

Attendance table for Corporate Governance and Sustainability Committee meetings of 2012:

MEETINGS CGSC 2012	1 ST	2 ND	3 RD	ATTENDANCE RATE
PRESENCE/DATE	28/MAY	17/SEP	26/NOV	
Carlos Jorge Ramalho dos Santos Ferreira	P	P	P	100%
Maria Celeste Lopes Cardona	P	P	R	67%
Ilídio da Costa Leite de Pinho*	P		P	100%
Joaquim José de Oliveira Reis**	A	P		50%
Manuel Fernando de Macedo Alves Monteiro	P	P	A	67%
Vasco Joaquim Rocha Vieira	P	P	P	100%
Wu Shengliang	A	P	A	33%
Average attendances (including representations)	71%	100%	67%	

Legend:
A - Absent; P - Present; R - Represented
* Suspended fuctions between 29.05.2012 and 17.09.2012
** Parpública representative resigned on 11.10.2012
** Took office on 11 May 2012

2. INTRODUCTION

The start of the new term in office of the General and Supervisory Board, elected at the General Shareholders Meeting held on 20 February 2012, the committee responsible for monitoring corporate governance matters of the Company - the Corporate Governance and Sustainability Committee - was established on 18 April 2012, with the following members:

- Carlos Jorge Ramalho dos Santos Ferreira (Chairman);
- Ilídio da Costa Leite de Pinho
- Joaquim José de Oliveira Reis *
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona
- Shengliang Wu **
- Vasco Joaquim Rocha Vieira

The role of the Corporate Governance and Sustainability Committee was modified, given the creation on 18 April 2012 of the Strategy Committee and the Performance Analysis and Competitiveness Committee. The respective competences are established in the Internal Rules (available at www.edp.pt), the new version of which was approved on the same date. Those rules also indicate the mission, powers and duties.

3. WORK PERFORMED

The Corporate Governance and Sustainability Committee is responsible for permanently monitoring and supervising matters relating to:

- a) Corporate governance;
- b) Strategic sustainability;
- c) Internal codes of ethics and conduct;
- d) Assessment systems and the resolution of conflicts of interest, particularly with regard to relations with Shareholders of the Company;
- e) The definition of appropriate selection criteria and responsibilities to be observed in the structures and internal bodies of the Company or its subsidiaries and assessment of their impact on composition;
- f) Preparing succession plans.

In view of the powers described above, the Corporate Governance and Sustainability Committee monitors with particular attention in the performance of its duties:

- a) Changes in corporate governance policies and practices, particularly changes in the Articles of Association or internal rules.
- b) The overall organisation of the Company and its subsidiaries with regard to corporate governance.
- c) The Company's institutional and commercial relations with members of the corporate bodies and qualifying shareholders, identifying any conflicts of interest.
- d) Compliance with good governance practices, ethical codes and codes of conduct on the part of the Company and its subsidiaries.

In the three meetings held by the Corporate Governance and Sustainability Committee in 2012, the most important issues addressed in those meetings were the following:

- Development of human capital.
- Social responsibility and innovation.
- The social and environmental sustainability of EDP.
- Corporate Ethics - Appointment of the Ethics Committee and the Ethics Ombudsman.
- Corporate Governance Manual - Proposed review.
- Presentation of the activities of the Office of the Customer Ombudsman.
- Reporting Relevant Situations in terms of Conflict of Interest.

It is to be noted that the Corporate Governance and Sustainability Committee as a specialized Committee with the function of advising the General and Supervisory Board on all issues related to corporate governance, has played a key role in the preparation and systematization of the information to report to the General and Supervisory Board. The highlights in this area are: (i) the assessment and monitoring of internal procedures for matters relating to conflicts of interest, as well as the effectiveness of the assessment systems and resolution of these conflicts and (ii) the support providing in defining the policy of the Company and subsidiaries in terms of standards of conduct, the adoption of best practices and courtesies to the highest standards of ethics. Examples of this are the review of the EDP Corporate Governance Manual, the amendments to the Rules of the EDP Code of Ethics, in particular, the adoption of the content on the Commitment to Healthy Competition Practices.

4. ASSESSMENT OF WORK

The Corporate Governance and Sustainability Committee is required to prepare an annual assessment of its work. This assessment is based on questionnaires sent to all members of the Corporate Governance and Sustainability Committee. As this Committee only took office in May 2012, the work was limited. Nevertheless, the members made a positive overall assessment of the performance of the Corporate Governance and Sustainability Committee.

It was also possible to identify areas for improvement of the work and duties, particularly with regard to the monitoring and assessment of the corporate image of the Company in the market, and before investors and supervisors. The self-assessment performed will be taken into account as a factor for inducing performance improvement this year.

STRATEGY COMMITTEE'S ANNUAL REPORT

1. MEETINGS

MEETINGS CGSC 2012	1 ST	2 ND	3 RD	4 TH	ATTENDANCE RATE
PRESENCE/DATE	07/MAY	31/MAY	26/JUL	05/NOV	
Eduardo de Almeida Catroga	P	P	P	P	100%
Zhang Dingming		P	P	P	67%
Felipe Fernandez Fernandez	A	A	A	R	100%
Harkat Abderezak	P	P	A	A	50%
Jorge Braga de Macedo	P	P	P	P	67%
José Maria Espírito Santo Ricciardi	P	A	A	P	100%
Mohamed Ali Al Fahim	P	P	P	P	33%
Average attendances (including representations)	83%	71%	57%	86%	

Legend:
A - Absent; P - Present; R - Represented

2. INTRODUCTION

Following the appraisal undertaken after the new General and Supervisory Board had taken office, sweeping changes to the functioning of its specialised committees were made. In this context, two new committees were created, one of which is the Strategy Committee.

The Strategy Committee was established on 18 April 2012. It is composed of seven members, including the General and Supervisory Board Chairman and Vice-Chairman.

The members of the Strategy Committee are:

- Eduardo de Almeida Catroga (Chairman)
- Dingming Zhang (Vice-Chairman) *
- Felipe Fernandez Fernandez
- Harkat Abderezak
- Jorge Braga de Macedo
- José Maria Espírito Santo Silva Ricciardi
- Mohamed Ali Al-Fahim

* Took office on 11 May 2012

The role of the Strategy Committee as well as its mission and duties are set down in its Internal Rules (available at www.edp.pt), which were approved on that same date.

3. WORK PERFORMED

The Strategy Committee has had four meetings since May 2012. The themes of all those meetings were:

- Situation report of the work to prepare the EDP BP 2012-2015
- Internal Rules of the Strategy Committee
- Strategy Committee meetings schedule for 2012
- EDP Renováveis – 2012-2015 Strategy
- EDP Inovação – Innovation in the strategy of EDP
- EDP Produção – 2012-2015 Strategy
- EDP Spain – 2012 -2015 Strategy of Hidrocarbónico and Naturgas
- EDP Internacional Action Plan, Review of the Business Plan of the Energy Management Business Unit (UNGE) 2012-2015.
- Strategy Committee Work Plan for 2013.

The reason for the establishment of the Strategy Committee was for the General and Supervisory Board to permanently monitor, through a specialised committee, the following matters relating to the business of the Company:

- a) Long-term scenarios and strategies.
- b) Strategic implementation and business planning.
- c) Major investments and divestments.
- d) Debt and financing.
- e) Strategic alliances.
- f) Evolution of markets and competitiveness.
- g) Regulation.

In terms of specific functions assigned to Strategy Committee, these are:

- a) The appraisal of the strategic plans of the Company, by analysing the different development scenarios on which they are based and implementation in the different markets and activities in which the Company operates;
- b) The appraisal of business plans and annual budgets as regards strategy alignment with the Company;

- c) The analysis of investment, divestiture, merger, acquisition and business restructuring projects of significant value, in terms of the strategy of the Company;
- d) Monitoring financing operations and the evolution of the company's capital structure, including analysis of the evolution of the debt of the Company, encompassing all variables with significant impact in this area;
- e) The monitoring of strategic alliances entered into by the Company and the specific actions arising therefrom, in terms of the strategy of the Company;
- f) Monitoring the change of variables which impact on the development of business activity in the various markets in which it operates;
- g) The monitoring of regulatory environments in which the Company has operations, evaluating the regulatory risk of the Company and expected impact on the company profits;
- h) The appraisal of requests for a prior opinion submitted by the Executive Board of Directors when such is deemed relevant by the Chairman of the General and Supervisory Board.

The work of the Strategy Committee, considering the above-described powers and duties, focuses not only on EDP but also on its subsidiaries, which is why in the first year of work of this Committee it had the goal that all its Members were informed of the Business Plans [2012-2015] of the key strategic units of the EDP Group and the strategic priorities, risks and associated results.

It is the purpose of this Committee that during 2013, and after completion of the appraisal of the business plans of the various strategic units of the EDP Group that is being conducted, to further analyse issues such as the long-term strategy, investments and/or divestments to be made, debt and the strategic alliances of the EDP Group.

Although not even a year has passed since the establishment of the Strategy Committee, the work performed in 2012 by this Committee demonstrates that the necessary mechanisms for the coordination of its work with the bodies and services of the Company and subsidiaries are already in place, resulting in the development of procedures that allow the monitoring of the different topics under analysis and their presentation in the plenary meetings of the General and Supervisory Board, whenever required, and according to their relevance.

4. ASSESSMENT OF WORK

This exercise aims to provide each Member of the Strategy Committee and to the Committee as a whole, a reflection on its performance, particularly in relation to its composition and the way it is organized, as well as the duties it has to perform, under the Internal Rules of the Strategy Committee approved by the General and Supervisory Board. This exercise is important for a continuous improvement approach, which is intended to be implemented in the functioning of the Committee, after the first year of activity.

In general, the members of the Strategy Committee consider its composition and organisation to be satisfactory. They call for improvement in the advance period provided for distributed relevant documentation, as well as the preparation of the subjects covered. As regards the duties of the Strategy Committee, its Members consider that the monitoring of the regulatory context of the different business units should be further strengthened. As for the overall balance of the Committee's work, and although there is still much work to be done, it is the opinion of the Members that the first year of functioning has been very positive.

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE'S ANNUAL REPORT

1. MEETINGS

NAME	%	9/MAY	31/MAY	26/SEP	6/NOV	13/DEC
Luís Filipe da Conceição Pereira	100	P	P	P	P	P
Ya Yang	40	P	A	A	P	R
Alberto João Coraceiro de Castro	80	P	P	P	P	A
António Sarmento Gomes Mota	80	A	P	P	P	P
Fernando Masaveu Herrero	0	A	A	A	A	A
P&R vs Total		3/5	3/5	3/5	4/5	3/5
%		60.0	60.0	60.0	80.0	60.0
Total meetings in 2012 = 5 Average attendance = 64% P - Present; A - Absent; R - Represented						

The GSB Chairman attended all PACC meetings.

2. INTRODUCTION

Following the appraisal undertaken after the new General and Supervisory Board had taken office, sweeping changes to the functioning of its specialised committees were made. In this context, two new committees were created, one of which is the Performance Analysis and Competitiveness Committee.

The reason for the establishment of the Performance Analysis and Competitiveness Committee was to allow the General and Supervisory Board to have a specialised committee that might permanently monitor the following matters:

- Analysis of the business performance of the Company and subsidiaries;
- Benchmarking the company's corporate performance against the top companies of the sector;
- Assessing the competitiveness of EDP's business portfolio.

The specific duties assigned to the Performance Analysis and Competitiveness Committee are:

- a) Monitoring and advising in the process of defining key performance indicators for the Company in articulation with the EBD;
- b) The selection and prioritization of the key strategic issues for monitoring of the Company, according to its strategy;
- c) The preparation of performance analysis information of the Company for the General and Supervisory Board, on a regular basis, focusing on the themes previously defined and prioritized, and submitting to the General and Supervisory Board Chairman conclusions and recommendations to be approved by the General and Supervisory Board plenary;

- d) Analysis of the Company's corporate performance, using suitable tools for this purpose, particularly in terms of assessment metrics, reports prepared by the Company's management control and strategy bodies and research reports from third parties;
- e) Conduct performance benchmarking of the company against the top companies of the sector and comparable best international practices;
- f) Assess the competitiveness of EDP's business portfolio in terms of business areas and geographical region;
- g) Monitor the implementation and results of large investment projects.

The Performance Analysis and Competitiveness Committee was established on 18 April 2012. It has five Members:

- Luís Filipe da Conceição Pereira (Chairman)
- Ya Yang (Vice-Chairman) *
- Alberto João Coraceiro de Castro
- António Sarmento Gomes Mota
- Fernando Masaveu Herrero

* Took office on 11 May 2012

The role of the Performance Analysis and Competitiveness Committee as well as its mission and duties are set down in its Internal Rules (available at www.edp.pt), which was approved on that same date.

3. WORK PERFORMED

The Performance Analysis and Competitiveness Committee has held five meetings since May 2012. The average attendance was 64% and outside persons attended the meetings whenever such was considered relevant, in particular members of the management boards and senior management of the Company and subsidiaries.

The topics discussed at those meetings were:

- Management control and information system (operational and financial KPIs in use to monitor the performance of the Company and the various business units)
- Group performance in Q1 2012
- Performance of EDP Distribuição
- Performance of EDP Comercial
- Group performance in 1st Half 2012
- Performance of EDP Renováveis
- Appraisal of draft version of Company Budget

Although not even a year has passed since the establishment of the Performance Analysis and Competitiveness Committee, the work performed in 2012 by this Committee demonstrates that the necessary mechanisms for the coordination of its work with the bodies and services of the Company and subsidiaries are already in place, resulting in the development of procedures that allow the monitoring of the different topics under analysis and their presentation in the plenary meetings of the General and Supervisory Board, whenever required, and according to their relevance.

At its meeting of 26 September 2012, the Performance Analysis and Competitiveness Committee approved its Work Plan for 2013, which corresponds to a framework of the main activities to be undertaken, taking into account the duties defined in the Committee's Internal Rules.

The Performance Analysis and Competitiveness Committee is assisted in its work by staff of the General and Supervisory Board Office.

4. ASSESSMENT OF WORK

Part of the duties of the Performance Analysis and Competitiveness Committee, as established in its rules, are to undertake an annual self-assessment of its work.

Accordingly, and based on the methodology developed for assessing the work of the General and Supervisory Board and other specialised committees of the General and Supervisory Board, at the start of February 2013 the Performance Analysis and Competitiveness Committee Members were asked to complete a questionnaire to assess the work undertaken by the Performance Analysis and Competitiveness Committee in 2012, which was divided into six major areas:

- General topics
- Membership, organisation and functioning
- Activity and duties
- Relationship with General and Supervisory Board
- Relations with the General and Supervisory Board Office
- Individual assessment

At the meeting of 4 March 2013, the members of the Committee reflected on the results of the self-assessment questionnaire, concluding that, as a whole, the Committee's activity exceeded expectations. Nevertheless, with a view to continuous improvement, areas for improvement of the work could be identified, particularly with regard to the appraisal of the benchmarking of the performance of EDP against its peers. This topic was strengthened in the work plan for next year, considering the results obtained.

LIST OF ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used throughout this report for ease of expression, although the names and expressions they substitute may also be used occasionally:

AR – EDP's Annual Report and Accounts 2012

Cajastur - Caja de Ahorros de Asturias

CGSC - Corporate Governance and Sustainability Committee

CMVM - Portuguese Securities Market Commission

CSC - Companies Code

CTG - China Three Gorges

CVM - Portuguese Securities' Code

EA - External Auditor

EBD - Executive Board of Directors

EBDC - Executive Board of Directors Chairman

ECB - European Central Bank

EDP (or Company) - EDP – Energias de Portugal, SA

EDP Brasil - EDP Energias do Brasil, S.A.

EDP R - EDP Renováveis, S.A.

EDP SU - EDP Serviço Universal, S.A.

FMC - Financial Matters Committee

GM - General Meeting

GSB - General and Supervisory Board

GSBC - General and Supervisory Board Chairman

GSBO - General and Supervisory Board Support Office

HC - Hidroeléctrica del Cantábrico, S.A.

IMF - International Monetary Fund

IR - Internal Rules

Naturgas - Naturgas Energía, S.A.

NGO's - Non-Governmental Organisations

PACC - Performance Analysis and Competitiveness Committee

RC - Remuneration Committee (of the GSB)

SA - Statutory Auditor

SC - Strategy Committee

Sonatrach - Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

Subsidiaries - Companies in a control or group relationship with EDP pursuant to Article 21 of the CVM

NOTE: References to corporate bodies with no other mention should be regarded as referring to EDP's corporate bodies.

