CHANGING TOMORROW NOW

EDP ESPAÑA
2021
SUSTAINABILITY REPORT

Memoria de Sostenibilidad de EDP España

This Sustainability Report of EDP España has been prepared in accordance with the Essential option under the Global Reporting Initiative (GRI) standards and Directive 2014/95/EU of the European Parliament and of the Council, of 22 October 2014, and the national laws transposing it.

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The EDP Group Annual Report, reporting the EDP España data, has been verified by PwC, pursuant to ISAE 3000 standard. Therefore, the details reported from this group to EDP have been externally verified.

Along with EDP España Sustainability Report, the EDP Group, based on its transparency and ESG commitment, offers other relevant ESG reports for the stakeholders:

- Sustainability Report: annual sustainability report of the EDP Group, prepared according to the international GRI, SASB, TCFD and CMVM standards, audited by an accredited external entity under the ISAE 30000 standards. This report comprises the ESG information of all the companies and geographical areas of the EDP Group, including EDP España material information, which is detailed below in this Sustainability Report.
- Other ESG reports (published in English):
  - Ethics Ombudsperson Report
  - Occupational Health & Safety Report
  - Stakeholders Report
  - Human & Labour Rights Report

All this information is available in its latest published version in the Transparency and Reports section of the corporate website.

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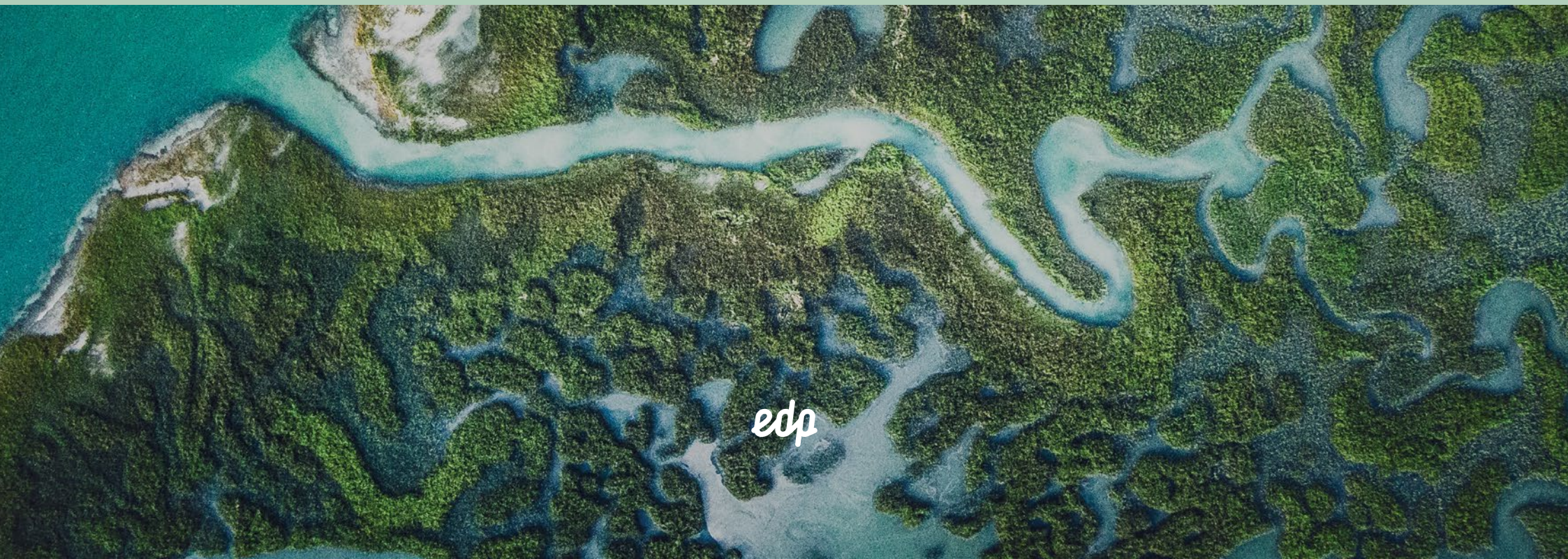


CHANGING TOMORROW NOW

We are creating a new energy on the planet.
More inclusive. More shared. Greener.
Promoting renewable energy on a worldwide scale.
Using the power of wind, sun and water,
to be all green by 2030.
Accelerating decarbonization to achieve carbon
neutrality. Investing € 24 billion in the energy transition.
Duplicating the capacity in solar and wind power.
Betting on new technologies, such as green hydrogen.
Leading the way in sustainability indexes.
It's in our hands. The only one who changes the world
is whoever can change himself, the one who finds
the will, the knowledge and the action.
Because this is our story:

To always discover
a new ambition.

— INDEX

GLOBAL

Creating a carbon neutral planet.

01 — EDP ESPAÑA

— Manuel Menéndez Menéndez

1.1.1. Letter from the Chairman

Year 2021 has been marked again by the COVID-19 pandemic. The vaccination development and process has proven to be positive, allowing to contain the virus mortality rate, although the negative economic and social impacts have persisted, with progressive signs of recovery.

In EDP España, as I noted in my letter from last year, we have kept showing our major resilience and ability to anticipate, reorganising with great success and effectiveness a hybrid teleworking model. This way of working, together with other safety measures both for our employees and those of our partner companies, has allowed to protect people, secure the supply and continue the business.

However, the year has been also marked by an uncommon energy price volatility, reaching all-time highs, due to international geopolitical tensions. The upward trend in the fuel prices extended to pool prices; the average price of the Electricity Market Operator (OMEL) was 228% higher, in line with the other European markets, in which it was increased by 213% with respect to the previous year. These prices, along with the problems in the supply chains, have brought about an inflation scenario which will, predictably, slow down the economic recovery.

In the European context, climate ambition is still framing the proposals that accelerate climate neutrality by 2050. In such road to decarbonisation, the legislative package 'Fit for 55' sets as a goal to reach at least a 55% reduction in greenhouse gas net emissions by 2030 through a stable framework aligning climate, energy and transport policies, with specific actions regarding an increased use of renewable energies and energy efficiency, a tightening of the European emission market EU-ETS, and a greater and quicker implementation of sustainable transport structures, among others.

In order to foster it, along with the European Commission multiannual financial framework, the European Recovery instrument 'Next Generation EU' is already funding programmes and actions plans to transform the UE into a modern economy, that uses resources efficiently and is com-

petitive. In Spain, under this instrument, strategic projects, known as PERTE, were created for the economic recovery and transformation as instruments of public and private cooperation, with a comprehensive value chain approach and a significant transformative impact.

To present, the electric car PERTE and the renewable energies, renewable hydrogen and storage PERTE have been approved, both being key elements to underpin the energy transition, and EDP has important projects in different stages of development in both.

As it has been announced in the strategic review launched in March 2021, in EDP, we have committed to cease to use coal in our operations by 2025 and be carbon neutral, with a 100% renewable production by 2030. These ambitious milestones involve an organised disposal of thermal assets, which does not compromise the quality of the service or the security of the supply, as we have always supported, as well as a commitment to replacement projects mainly based on green hydrogen, energy storage and renewable energies. This way, EDP is once again positioned in the forefront of the development of clean energies.

Furthermore, these projects meet other European goal, which EDP also shares, that is, the promotion of a just and inclusive transition. Thus, though these projects have a technology basis, they entail a whole social agenda of programmes supporting social and territorial development, as regards generation of wealth and employment, settlement of population, equality or environmental recovery.

A further lever necessary for the energy transition scenario is electricity grids, in which the acceleration of digitisation projects will be key for the integration of renewable energies, self-consumption installations and the final implementation of electric mobility. The investment EDP Redes España is making is along this line, committing to increasingly smarter grids that allow a digital, reliable and sustainable operation.

This sustainable or responsible consumption must be assumed by society and by all the economy sectors in a comprehensive decarbonisation process. EDP commercial area works along this line, supporting customers in the process to become more efficient in their consumption, in their commitment to energy efficiency, in their self-consumption and in the adoption of sustainable mobility strategies.

Other lines of action proving that EDP leads this energy transition is the climate change mitigation and adaptation strategy, in its most holistic conception, as well as the circular economy and natural capital and biodiversity improvement strategy, aimed at no net losses by 2030, innovation and digital transformation, an actual and effective support of gender equality and diversity, or the promotion of inclusive communities, through an ambitious social investment plan.

This excellence in management is grounded on a corporate governance built upon the best practices, in order that its operation is transparent and effective, engaging all the people that are part of EDP, as an instrument that inspires trust in an ethical management and that gives back to society.

I would like to conclude this letter by thanking all the people that are members of the EDP team for their work, and, especially, the General Supervisory Board and the Executive Board of Directors of the Group for supporting the development of the company in Spain.

— Rui Teixeira

1.1.2. Letter from the CEO

It is a pleasure for me to present EDP España Sustainability Report for 2021, a very complicated year due to COVID-19 and a complex international climate that has impacted on the energy markets.

As it is customary in EDP, let me start by referring to the occupational health and safety matters. Our performance indicators are above the targets, featuring very positive frequency indicators, both in our group and in our partner companies, but it is key to keep maintaining safety measures and not to lower our guard down. It is everyone's responsibility to monitor, adopt and adapt all the preventive aspects available.

EDP España's economic results in 2021 have been excellent, yielding a €495 M EBITDA, with an investment volume that has reached €160 M. Thus, we keep strengthening our commitment to a just transition, with more numerous and smarter grids, and with a strong customer relationship, proactively producing constructive regulation proposals, both for short-term challenges and as regards what we need to speed up the energy transition.

In the Generation platform, a slight increase in production has been recorded, based on the high availability and flexibility of our installations. In line with the commitment adopted by the EDP Group to close coal power plants by 2025, during this financial year we have worked on the preparation of real and specific just transition projects to maintain the activity in the plant sites and keep creating value in their areas. Green hydrogen, hydro-screws and new hydraulic projects, new storage technologies and renewable energies will be the key to this transition projects.

In the Grid Platform, Viesgo's integration process has been successfully concluded, attaining an ambitious investment goal that leads us, once again this year, to maintain our leadership in supply quality. The overall TIEPI of EDP Redes España companies is only 20.5 minutes, the best result in the industry. We maintain our goal to speed up the investment process that will allow us to efficiently face the challenges posed by the electrification of the economy.

In the Customer Platform, the strategy remains the optimisation of the portfolio with a commitment to distributed

generation, mobility and energy efficiency. Customers, who are increasingly aware of sustainability, demand us to certify our performance through the EcoVadis index, in which we have obtained a platinum medal and we are within the top 1% of comparable peers.

All these aspects are reflected in EDP España 2021-2025 Sustainability Plan. The Plan is comprised by 41 initiatives that are grouped in 3 main ESG blocks: (E) energy transition and environmental commitment, (S) positive impact on society, and (G) a solid governance structure.

In the environmental sphere, already in the so-called decade of action, climate change is still the main global challenge. In EDP, we remain fully committed to the fight against climate change, as we have advocated for in our widespread appearances in the COP in Glasgow, represented on the highest level.

We continue with our mitigation and adaptation plans, with remarkable projects such as Hectare Zero, the first adaptation project of the EDP Group. Likewise, we have implemented the circular economy strategy, involving training and awareness among employees and a new tool to measure circularity in projects, Circumetric, pioneer in the sector. Thanks to the development of the Natural Capital Guide for electricity grids, we have taken a step forward in EDP España's environmental commitment.

Stakeholder management has been long a strategic priority for EDP, which has anticipated to the growing openness of companies towards society to meet the highest ethical and transparency standards. Thus, we could highlight actions with all the stakeholders, both in the value chain and in the market, democracy and social and territorial sphere, fostering dialogue and engagement and integrating their different perspective in our action plans.

This year we can be pleased about Entama, which has been awarded the go!ODS prize, granted by the Global Compact for its impact on SDG 11, regarding sustainable cities and communities.

On corporate governance matters, there have been several highlights in the year aimed at a more solid structure, such as the updating of the codes and policies on ethics, integrity and human and labour rights, as well as their implementation in the entire value chain, getting ahead the ongoing due diligence processes. We have thus assumed a greater commitment to 2030 Agenda 2030 and the UN Global Compact and its 10 Principles, with the best international practices, and we have increased our partnerships and pacts.

In this agenda, innovation is undoubtedly present, one of the strong points and challenges of the Group. To name a few of the year's milestones, we highlight the H2Metaindustry project, whose main goal is generating a regional structure to promote and position Asturias as a benchmark in the renewable hydrogen area, or EDP Ventures España's first investment in the start-up Plexigrid.

All these projects and initiative show ESG excellence at the core of the corporate strategy, which will allow us to lead the energy transformation, creating value for all the stakeholders, which is our purpose.

I conclude this letter by thanking the entire team of EDP España for their commitment and exemplariness in this EDP España Sustainability Report, which will be my last as CEO, since by the end of February 2022, I will step down from the position to assume other roles within the EDP Group. Since I assumed the office in 2018, the organisation has undergone many changes and we have transformed the company into a company for the future, oriented to energy transition. At present, we have more grids, a commitment to close thermal generation plants, in addition to credible just transition projects, a growing relationship with our solar self-consumption customers and electric mobility. All this has been achieved in the midst of two pandemic years, in which we have remained close, but at a distance.

I would like to take my leave by acknowledging and thanking the effort that is being made by the entire team of EDP España in this hard and complex context, and to encourage everyone to keep their commitment to lead the Energy Transition: Changing Tomorrow Now ... With You!

Finally, I would like to thank the entire Board of Directors for their support, which is essential to obtain and maintain the attained performance and to face future challenges.

1.2. Changing Tomorrow Now

1.2.1. Vision, values and commitments

VISION

A global energy company, leading the energy transition to create higher value

COMMITMENTS

SUSTAINABILITY

We assume the social responsibility resulted from our activity, contributing to the development of the communities in which we are present.
We sustainably reduce specific greenhouse gas emissions resulting from the energy we produce.
We actively promote energy efficiency.

PEOPLE

We combine ethical conduct and professional rigour with enthusiasm and initiative, fostering team work.
We promote the development of skills and merits. We believe that balance between personal and professional life is essential to succeed.

CUSTOMERS

We put ourselves in our customers' shoes whenever we make a decision.
We listen to our customers and reply to them in a simple and transparent way.
We surprise our customers, getting ahead of their needs.

RESULTS

We meet the commitments assumed vis-à-vis our shareholders. We are leaders thanks to our anticipation and execution capacity. We demand excellence in everything we undertake.

VALUES

HUMANE

Building true and trusting relationships with our customers, suppliers and local communities.

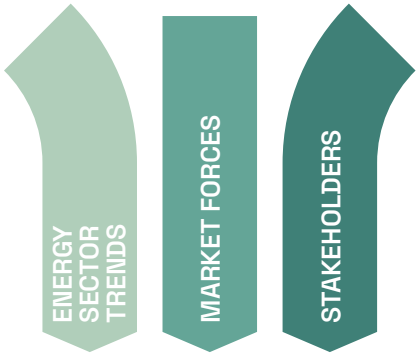
SUSTAINABILITY

The purpose is improving the quality of life of current and future generations.

INNOVATION

With the aim of creating value in the different areas in which we operate.

1.2.2. Business model



RESOURCES

FINANCIAL
- €495 M EBITDA
- €160 M operating investments
- €2,076 M net debt

INTELLECTUAL
- €27.1 M investment in innovation
- Brand
- Partnerships

INFRASTRUCTURES
- €2,855 M property, plant and equipment
- 3.2 GW installed capacity (9% renewable)

NATURAL RESOURCES
- Renewable resources: hydraulic and solar
- Non-renewable resources: gas and coal

HUMAN
- 1,330 employees
- Supply chain

SOCIAL
- €25.5 k social investment
- Suppliers
- Business partners

RESOURCES

A global energy company, leading the energy transition to create higher value

GENERATION

DISTRIBUTION

RETAIL

RESULTS

ENVIRONMENTAL
- 927 gCO2/kWh of emissions
- 99% recovered water out of collected water
- Waste and effluent management

HUMANE
- 1,330 employees, out of which 23% are women
- > 30 hours of training per employee
- Employees in more than 7 autonomous regions

SOCIAL
- 371 EDP volunteers
- 834 hours devoted as EDP volunteers
- 53 beneficiary entities

FINANCIAL
- €121 M EAT
- Debt financial management

INTELLECTUAL
- Innovative products and services
- Gained expertise

INFRASTRUCTURES
- Quality and efficiency of the electricity supply
- 8,9 TWh of generated electricity and 14,1 TWh of distributed electricity
- Incidents with third parties

IMPACTS

ENVIRONMENTAL
- Reduction in specific S1+S2 emissions
- Energy saved by customers
- Preservation of biodiversity

HUMANE
- Promotion of diversity and equal opportunities
- Promotion of development
- Promotion of employees' skills
- Fostering occupational well-being and safety
- Fostering employee satisfaction

SOCIAL
- Reputation and recognition
- Promotion of social investment
- Promotion of customer satisfaction
- Promotion of an ethical culture among suppliers

FINANCIAL
- Minimisation of financial risks
- Debt reduction

INTELLECTUAL
- Fostering innovation and research
- Promoting the adoption of sustainable consumption behaviours
- Capitalisation of the gained expertise

INFRASTRUCTURES
- Guaranteeing the quality and efficiency of the electricity supply
- Promoting safety in infrastructures and equipment

1.3. Our year

1.3.1. Recognition and relevant milestones

1 JANUARY
EDP and Macquarie complete Viesgo's acquisition

3 FEBRUARY
Se lanza de la quinta edición The fifth series of the Free Electrons programme is launched

23 FEBRUARY
EDP is ranked among the most ethical companies in the world in the Ethisphere Institute list

22 MARCH
EDP renews its Family Responsible Company certification

24 MARCH
EDP signs the Just Transition Agreement for its coal thermal plants

7 APRIL
Kearney Improve recognises EDP as the best digital utility in Europe and the second best in the world

14 APRIL
EDP España adheres to Forética

28 APRIL
A new Occupational Health and Safety Policy is established

20 MAY
EDP participates in MASSTEAM

21 MAY
EDP adheres to Fundación Biodiversidad

24 MAY
EDP joins the Fondo Asturias Startup

16 JUNE
EcoVadis awards EDP España the platinum medal (top 1% of comparable peers)

30 JUNE
A summer course is organised in the International University Menéndez Pelayo (UIMP) about energy transformation and ESG

15 JULY
The 4th Framework Collective Agreement of Viesgo and BEGASA is signed

16 SEPTEMBER
EDP adheres to the Global Alliance for Sustainable Energy

1 OCTOBER
EDP joins the European Climate Pact

9 NOVEMBER
Viesgo reaches the first position in the ESG GRESB index

9 NOVEMBER
The EDP Group actively participates in the COP26

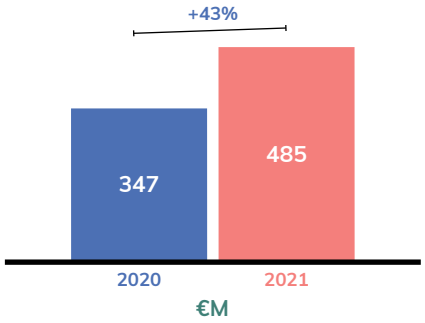
15 NOVEMBER
EDP ranks number 1 in the Dow Jones Sustainability Index

1 DECEMBER
E.DSO awards a prize to EDP Redes España for the digital transformation of its distribution network

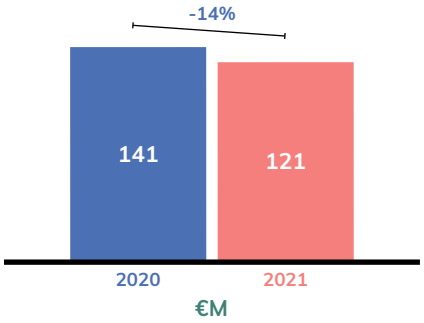
1.3.2. Key figures

FINANCIAL DATA

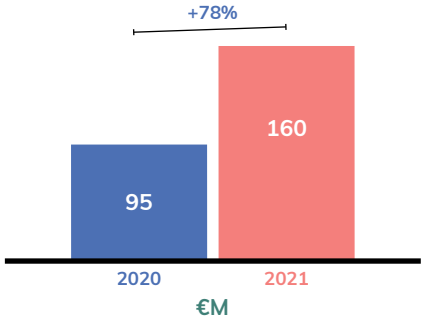
EBITDA



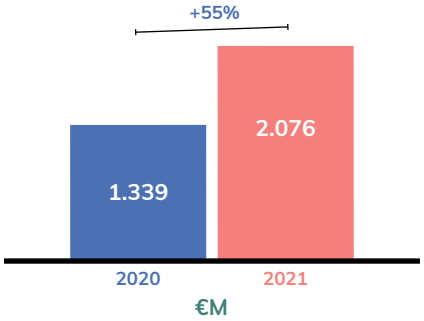
EARNINGS AFTER TAX



OPERATING INVESTMENTS



NET DEBT



[1] *It includes the power plants of Los Barrios and Puente.*

OPERATIONAL DATA

GENERATION

3,393 MW[1]
Installed power
+21.1 vs 2020

8,879 GWh
Net production
+4.7 vs 2020

DISTRIBUTION

14,086 GWh[2]
Distributed energy
+21.1 vs 2020

1,370,924
Supply points connected to our grid
+0.4% vs 2020

RETAIL

10,959 GWh
Retailed electricity
+1.5 vs 2020

3,818 GWh
Retailed gas
-48.8 vs 2020[3]

22,049
Electricity customers (B2B)
+1.9 vs 2020

4,393
Gas customers (B2B)
-20.9 vs 2020

25.9 MWp
Installed solar power

[2] *The electricity distributors of Grupo Viesgo are included.*

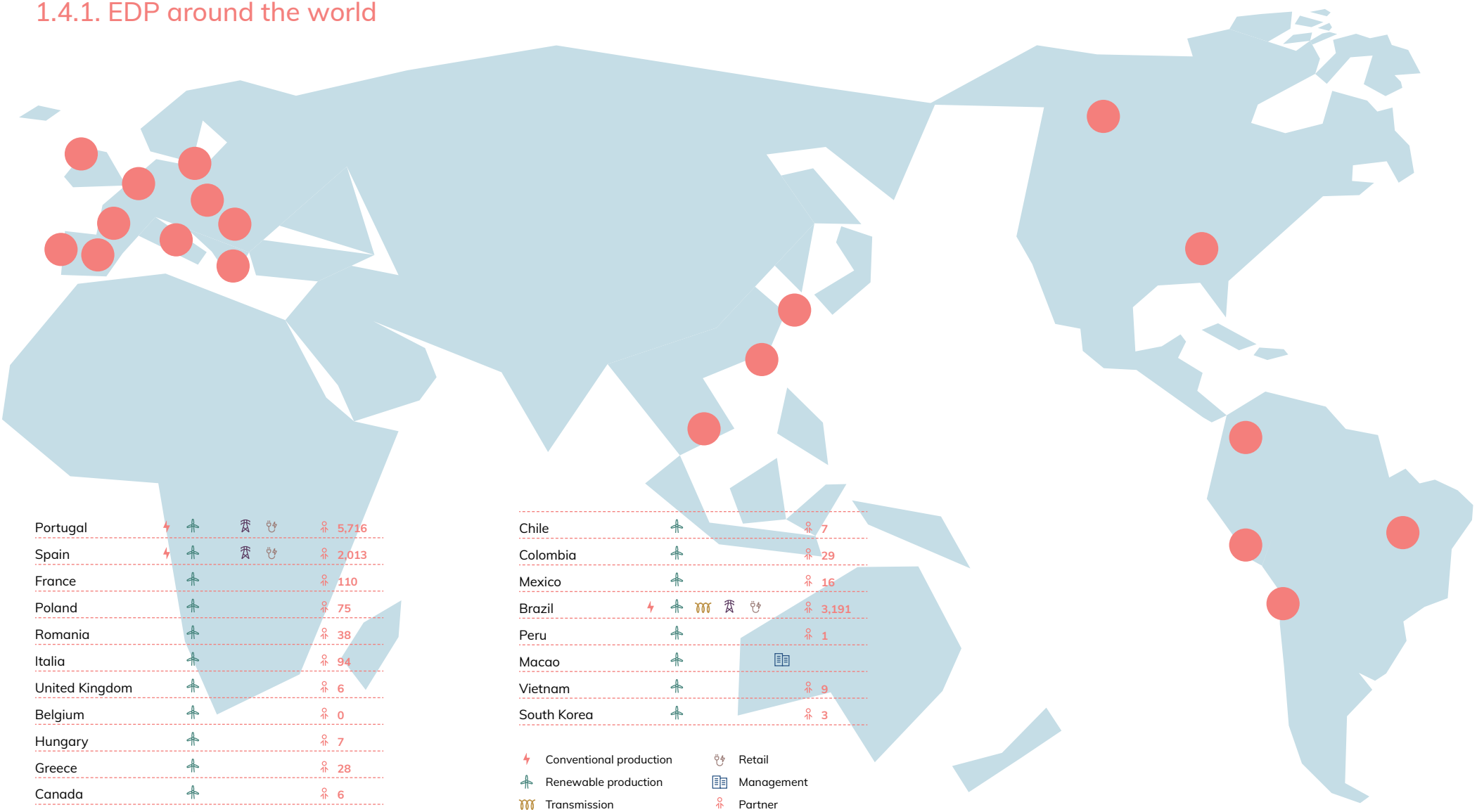
[3] *2020 includes B2C.*

ESG DATA

	INDICATOR	UNIT	2021
ENVIRONEMTNAL	Generation from renewable sources	%	9%
	Recovered waste	%	93%
	Specific CO_2 emissions	gCO_2/kWh	927
	Assets certified under ISO 14001	%	100%
	Coal installed capacity	MW	1,820
	Environmental investment	€M	277
SOCIAL	Engagement level (top tier company)		√
	Employee no.	#	1,330
	% of women	%	23%
	Hours of training	h	39,954
	Employees who have received training	#	1,388
	No. of accidents involving leave of own staff	#	3
	No. of accidents involving leave of contractors	#	8
GOVERNANC	Women in leadership positions	%	23%
	Remuneration linked to ESG for top management		√
	Cybersecurity		√
	Upper quartile in sustainability indices		√

1.4. EDP España

1.4.1. EDP around the world



Portugal	✓	✓	✓	✓		5,716
Spain	✓	✓	✓	✓		2,013
France		✓				110
Poland		✓				75
Romania		✓				38
Italia		✓				94
United Kingdom		✓				6
Belgium		✓				0
Hungary		✓				7
Greece		✓				28
Canada		✓				6
USA		✓				887

Chile		✓				7
Colombia		✓				29
Mexico		✓				16
Brazil	✓	✓	✓	✓	✓	3,191
Peru		✓				1
Macao		✓			✓	
Vietnam		✓				9
South Korea		✓				3

- Conventional production
- Renewable production
- Transmission
- Distribution
- Retail
- Management
- Partner

1.4.2. Profile of the EDP España group

EDP, A GLOBAL ENERGY COMPANY

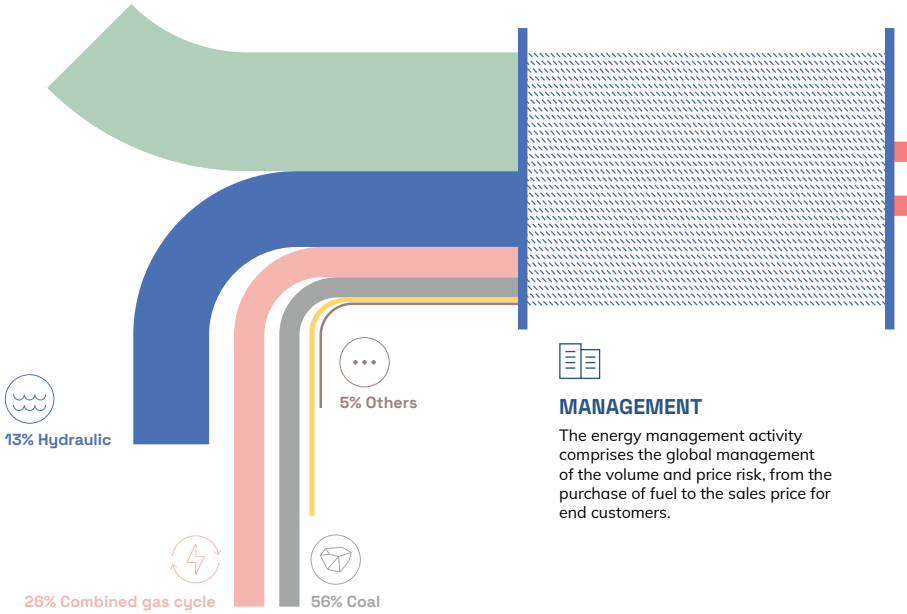
EDP España is the Spanish subsidiary of the Portuguese multinational EDP, world leader in the energy sector and one of the main operators in the Iberian Peninsula, present in 19 countries and 4 continents. EDP has 12,236 employees, out of which 1,330 belong to EDP España, and is present in the entire electricity value chain and in the gas retail activity (Production, Distribution and Retail), as well as the gas and energy service retail, photovoltaic self-consumption or sustainable mobility activity, among others.

PRODUCTION

Electricity is generated from renewable or non-renewable energy sources. The energy produced through traditional sources comes mostly from coal, natural gas, nuclear energy and cogeneration. In the case of renewable sources, it comes essentially from water, wind and sun. The energy produced is sold to the wholesale market.
Investments in wind and centralised solar energy are made through EDP Renovables.

3,393 MW
Installed capacity

8.9 TWh
Electricity generated



TRANSMISSION

In the transmission activity, the owners of the grids allow the passage of the produced energy. The energy transmission grids are comprised by high-voltage power lines which subsequently channel energy to the distribution grids. EDP España has no transmission assets. In Spain, the transmission activity is carried out by Red Eléctrica de España (REE).

MANAGEMENT

The energy management activity comprises the global management of the volume and price risk, from the purchase of fuel to the sales price for end customers.

RETAIL

The retail activity includes the purchase of energy in the wholesale market, the payment of tolls or access tariffs for using transmission and distribution grids and the sale of electricity and gas to the end consumer.
The customer portfolio of EDP España is managed from the Customer Platform and includes customers from the B2B segment, as well as the B2C segment in the self-consumption and mobility products.

14,777 GWH
Retailed energy

22,049
B2B electricity customers

4,393
B2B gas customers

2,116
Customers with sustainable services

DISTRIBUTION

In the distribution activity, the owners of the grids allow energy to be channelled to the supply points. The electricity distribution grids are comprised by high-, medium- and low-voltage lines. Substations and transformation centres are also an integral part of the distribution activity.

In Spain, the distribution activity is performed at the Grid Platform under the brands E-Redes and Viesgo.

14,086 GWh
Distributed electricity

52,492 km
of lines

39,553 km
of overhead lines

12,939 km
of underground lines

1.4.3. Organisation of sustainability

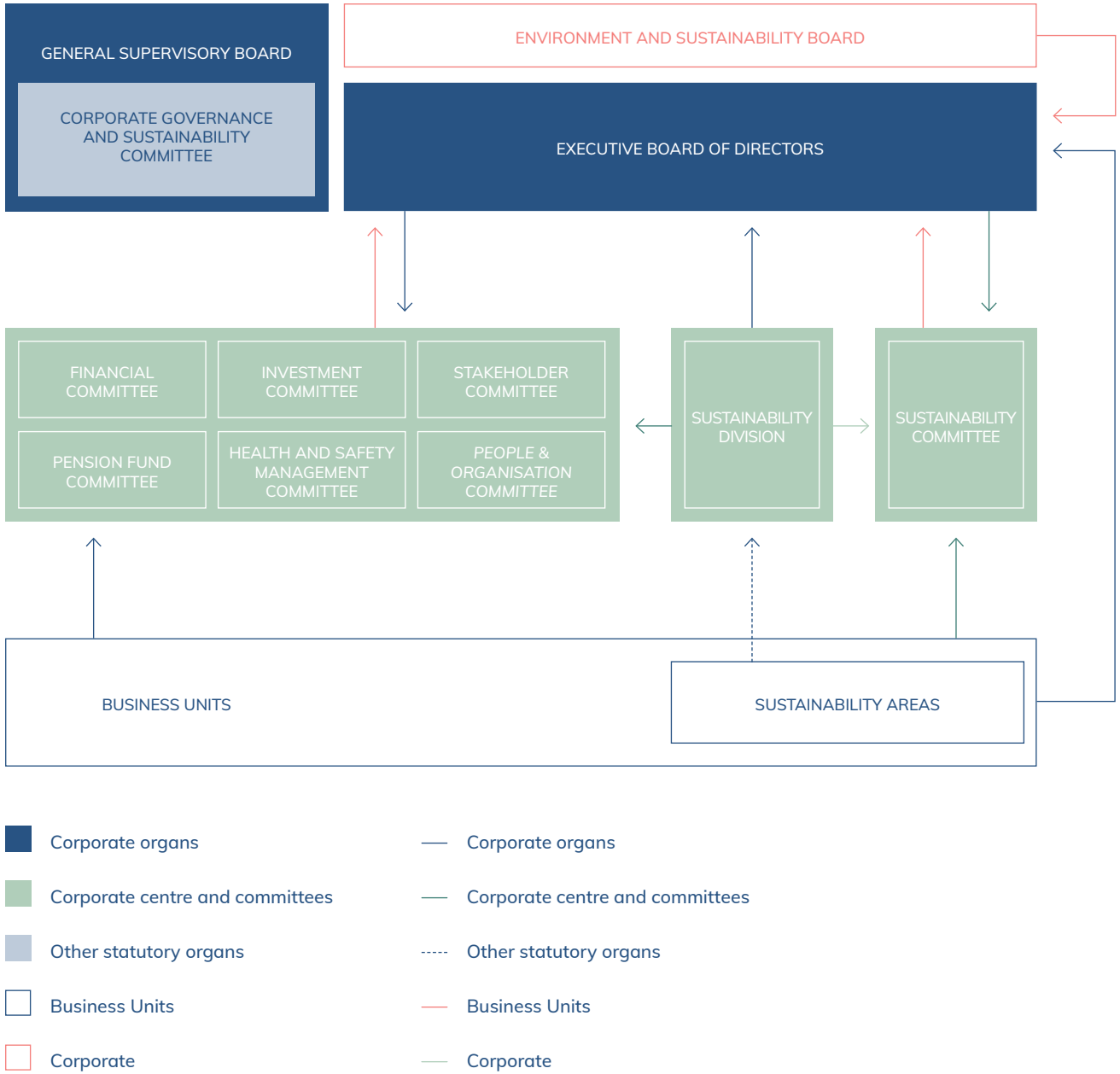
The EDP Group acknowledges the importance of sustainability in its value chain, integrating the ESG (Environmental, Social and Governance) risks and opportunities in its business strategy, particularly, as regards climate change and energy transition. In order to follow this road, EDP reckons that guaranteeing the effective responsibilities of the respective corporate organs is a precondition for a good governance management.

The General Supervisory Board (CGS) is the organ responsible for advising, controlling and supervising EDP's management. At least once a year, it reviews and updates the strategy, the policies, the long-term plans and the risks related to the activity of the company and its subsidiaries. For this purpose, the CGS counts on the Corporate Governance and Sustainability Committee, specialised in dealing with especially important ESG matters.

The Executive Board of Directors (CAE) is responsible for the decision, supervision and control of risk management and for approving the respective exposure limits per risk category. As regards sustainability, two main topics entail a proactive risk management, since they constitute an uncertainty and volatility factor for the business, namely the global energy model and climate change.

The CAE defines the ESG policies and objectives upon the proposal of the corporate Sustainability Division, supported by the Sustainability Committee.

With concern to EDP España, the division responsible for sustainability organisation is the Environment, Sustainability, Innovation and Climate Change Division (DASIC), which is in charge of running the implementation of the ESG strategies, policies, plans and risk management, proceeding to review and adapt them to the Spanish framework, in accordance with the strategic objective of the Group and the current regulations.



Operationally, the DASIC leads the Sustainability Committee of EDP España, which meets at least twice a year; in those meetings, they effectively monitor the material ESG topics jointly with those responsible for each Platform (Generation, Grid and Customer).

Additionally, a monthly report is prepared for the Management Committee containing the relevant KPI and activities, a quarterly ESG report per Platform, three annual monographic sessions with the Senior Management for a detailed review of sustainability management in the organisation and, finally, a last annual monographic session of the Board of Directors.

1.4.4. Management of stakeholders

The management of stakeholders has long been a strategic priority for EDP, which has anticipated the growing openness of companies to society in order to meet increasingly demanding ethical and transparency rules.

The relations with the different stakeholders have also acquired an increasing relevance in the corporate world, as one of the ESG (Environment, Social, Governance) pillars, since they have been consolidated as one of the priority metrics for the investor community and the society in general.

EDP's consistency and commitment to this strategy is clearly evidenced by its international recognition as the best-in-class, for the fifth year in a row, in the Dow Jones Sustainability Index' criteria regarding stakeholder engagement and influence on policies.

EDP upholds its commitment to retain the excellence achieved in this sphere, fostering dialogue with its stakeholders, adapting and improving its procedures, and incorporating different opinions in its action plans.

Thus, the management of stakeholders is conducted in accordance with the Stakeholder Relationship Policy of the EDP Group and the Methodological Guide on Stakeholder Relationship Management.

This line of action is aimed at building and strengthening relationships of trust, sharing knowledge and relevant information, anticipating challenges and identifying new opportunities for cooperation in the face of the challenges the EDP Group is confronting in all the geographical areas in which it operates.

The four major guiding commitments of the Policy are: to understand, to communicate, to trust and to collaborate.

Understand

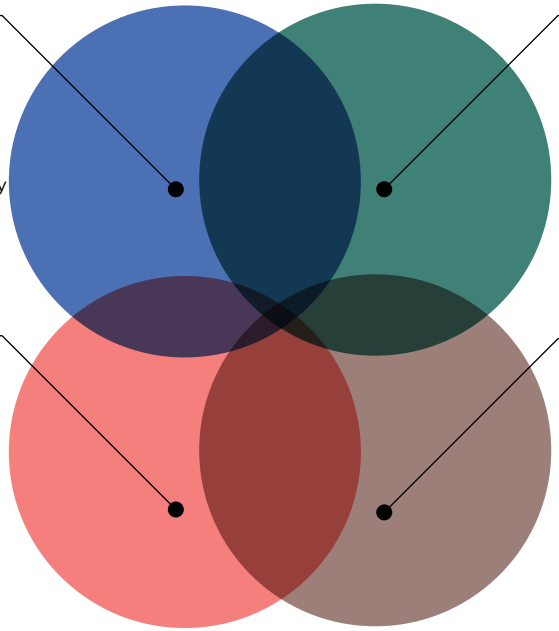
> Include > Identify > Prioritise

- We dynamically and systematically identify the stakeholders that influence and are influenced by EDP.
- We analyse and try to understand the stakeholders' expectations and interests in the decisions that directly affect them.

Communicate

> Inform > Listen > Reply

- We commit to promote a two-way dialogue with stakeholders, through information and consultation actions.
- We, listen, inform and reply our stakeholders in a consistent, clear, rigorous and transparent way, with the aim of forging close, solid and lasting relationships.



Trust

> Transparency > Integrity
> Respect > Ethics

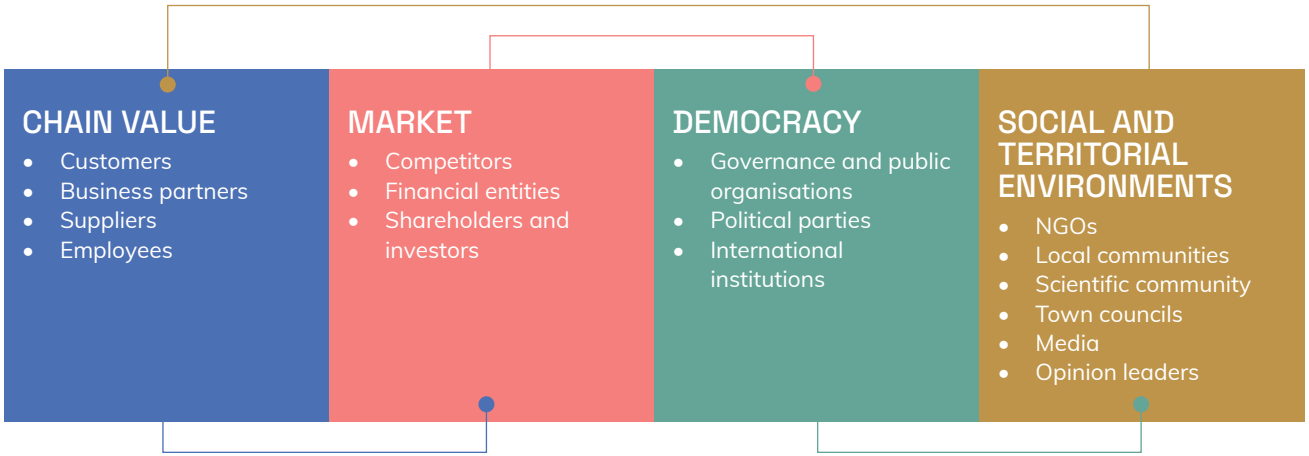
- We believe that fostering an environment of trust with our stakeholders is crucial to establish steady long-term relationships.
- Our relationship with our stakeholders is based on values such as transparency, integrity and mutual respect.

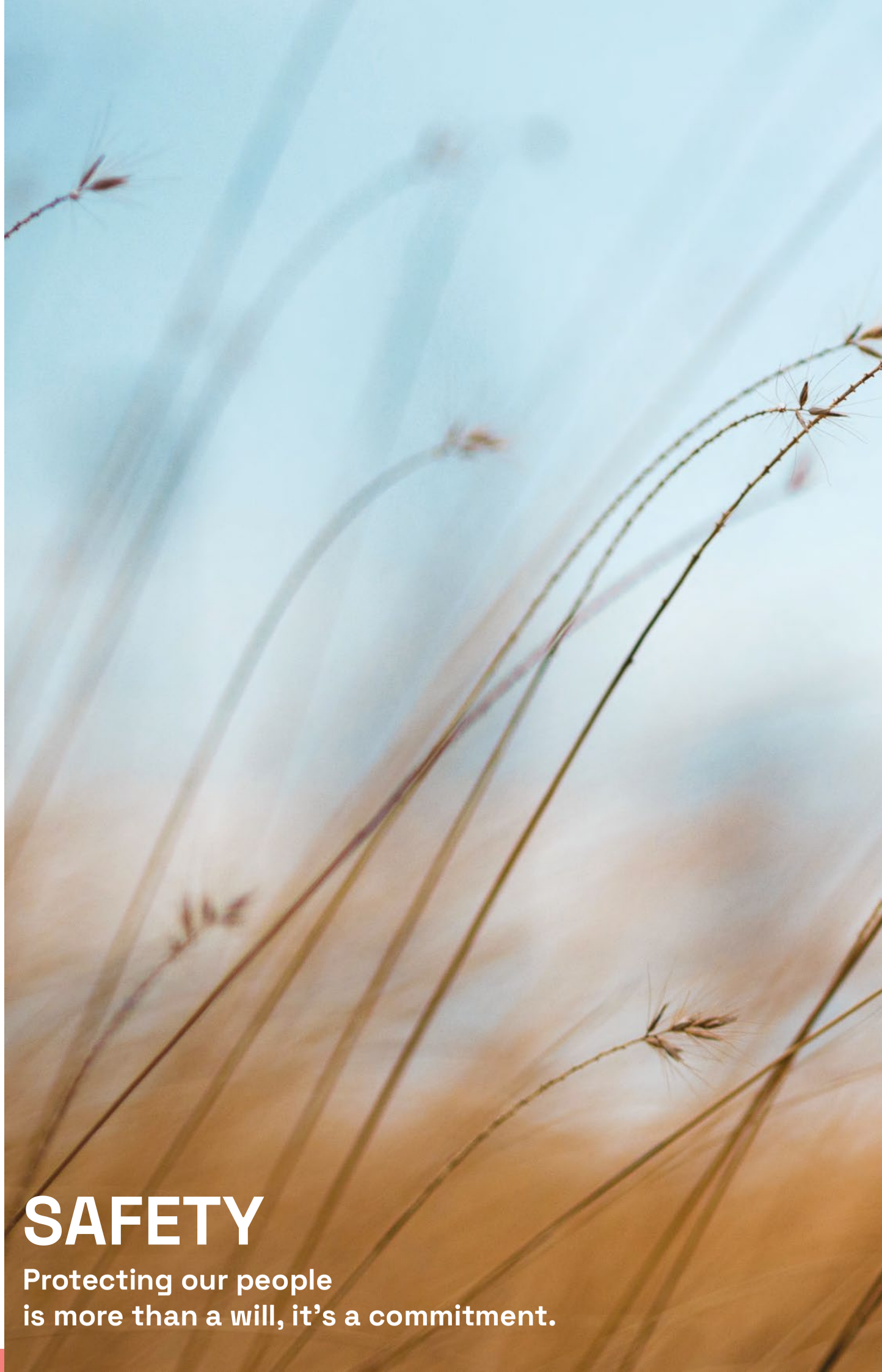
Collaborate

> Integrate > Share
> Cooperate > Inform

- We aspire to collaborate with our stakeholders in the creation of strategic joint alliances and to share knowledge, skills and tools, thus promoting the creation of shared value in a distinguishing way.

The EDP Group's stakeholders are organised into four well-differentiated segments:





SAFETY

Protecting our people is more than a will, it’s a commitment.

02 — SUSTAINABILITY STRATEGY

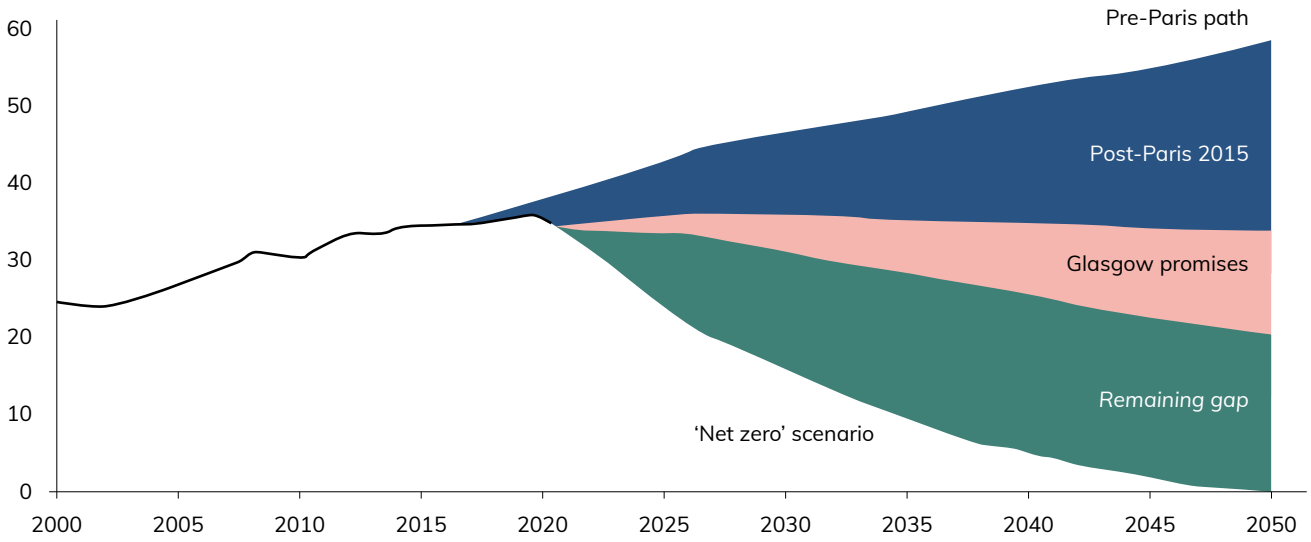
2.1. Sector trends

Combatting climate change: an unprecedented challenge that requires everybody's efforts

The world is facing an unprecedented challenge to reach carbon neutrality by 2050 and limit the global temperature increase to 1.5 ºC above pre-industrial levels. Achieving this objective involves reversing the latest century trend of successive increase in greenhouse gas emissions at a time in which the world population is expected to grow by 2,000 million people, the world GDP is expected to double and it will be necessary to guarantee access to energy to the entire world population (currently 770 million people do not have access to electricity).

Over the last years, the world commitment to the fight against climate change has significantly grown, and it is estimated that, following the commitments assumed in the COP26 in Glasgow, almost 90% of the world Gross Domestic Product (GDP) will be produced in countries that have already established, or are in the process of establishing, a carbon neutrality goal. The European Union and the United States have committed to achieve this neutrality by 2050, and other countries, such as China and Brazil, by 2060, and India, by 2070.

CO2 EMISSIONS IN THE WORLD PER SCENARIO, 2000-2050



Source: International Energy Agency, World Energy Outlook 2021.

What will be necessary to reach carbon neutrality?

The different international studies about how to achieve carbon neutrality coincide in the main trends of the energy sector, which include decarbonisation of energy consumption, especially, through energy efficiency, behaviour changes and electrification.

As regards energy production, it is necessary to invest on a large scale in renewable energies, hydrogen production, bioenergy and storage technologies, as well as in the so-called energy transition facilitators, which include energy and digitisation of the value chain.

It should be noted that the different decarbonisation instruments must be used in an integrated way to seize environmental synergies and energy system management. Lastly, in order to guarantee a just energy transition, the access to energy of all citizens must be envisaged in order not to leave anyone behind.

Decarbonising energy consumption

The energy consumption reduction by using more efficient equipment and/or fostering behaviour changes is one of the measures with the highest impact in terms of a potential emission reduction. To achieve carbon neutrality, diverse studies point out to the need to increase the electricity weight in the final energy consumption from the current 20% to almost 50% by 2050.

Nowadays, there are already sufficient efficient and economically competitive technologies in the market to meet the energy consumption of families and companies. Some of these technologies lead the markets in their segment (for example, the LED lamps), while others are in an earlier stage in the market penetration curve (for example, electric vehicles, heating pumps).

It should also be highlighted that in the last decade, there has been an important improvement in energy consumption efficiency, evidenced by a marked reduction in energy intensity (calculated as the quotient between the energy consumption and the GDP), which has improved almost by 20% in the world over the last decade. This explains the dissociation that has already occurred between economic growth and energy consumption growth, especially in the most developed countries.

Decarbonising energy production

The energy transition requires that most of the current energy based on fossil fuels is replaced by clean and renewable sources. It is expected that the electricity sector will be the one contributing the most to this share of renewables, since there are various competitive technologies with a high potential for expansion. According to BloombergNEF, within one decade, the cost of land wind energy has reduced approximately by 60%, while the cost of solar photovoltaic energy has been approximately reduced by 90%,

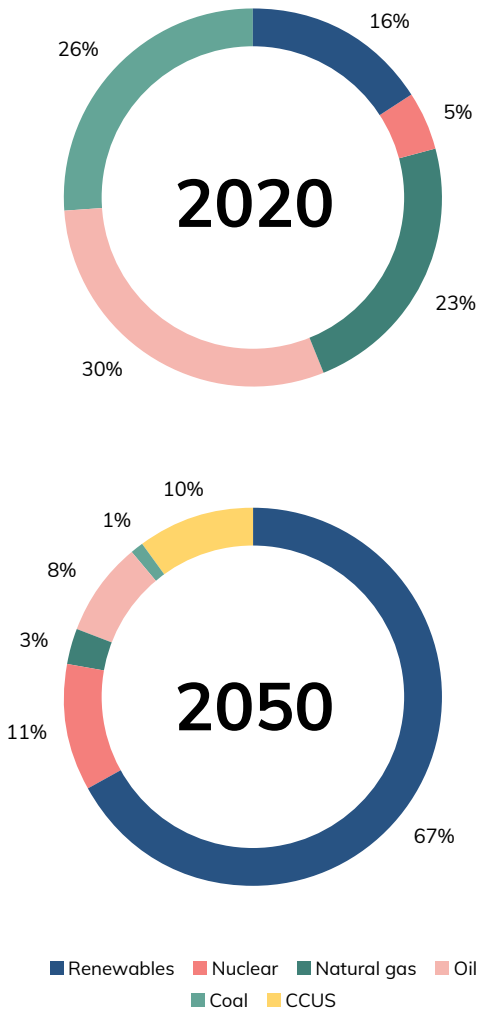
The same source states that these two technologies are currently the most economical for the new electricity generation plants in countries that represent more than two thirds of the world population.

Thus, the neutrality-consistent scenarios point out that the share of renewables in the electricity sector must be around 90% by 2050, as compared to 29% in 2020.

Given that renewable energy is intermittent and non-manageable, the use of flexibility technologies is required so that generation and consumption coincide at all times. Today, flexibility technologies are already partially mature and are part of the electricity system, such as the pumping plants and interconnections, and others that are in the growth stage, such as batteries.

Green hydrogen is acquiring an outstanding role in this energy transition, due to its potential to decarbonise sectors in which electrification is not technically viable or profitable. This is the case of some heavy industry consumptions (for example, steel and cement production) and long-distance heavy transport.

PRIMARY ENERGY CONSUMPTION IN THE WORLD, IN THE 'NET ZERO' SCENARIO

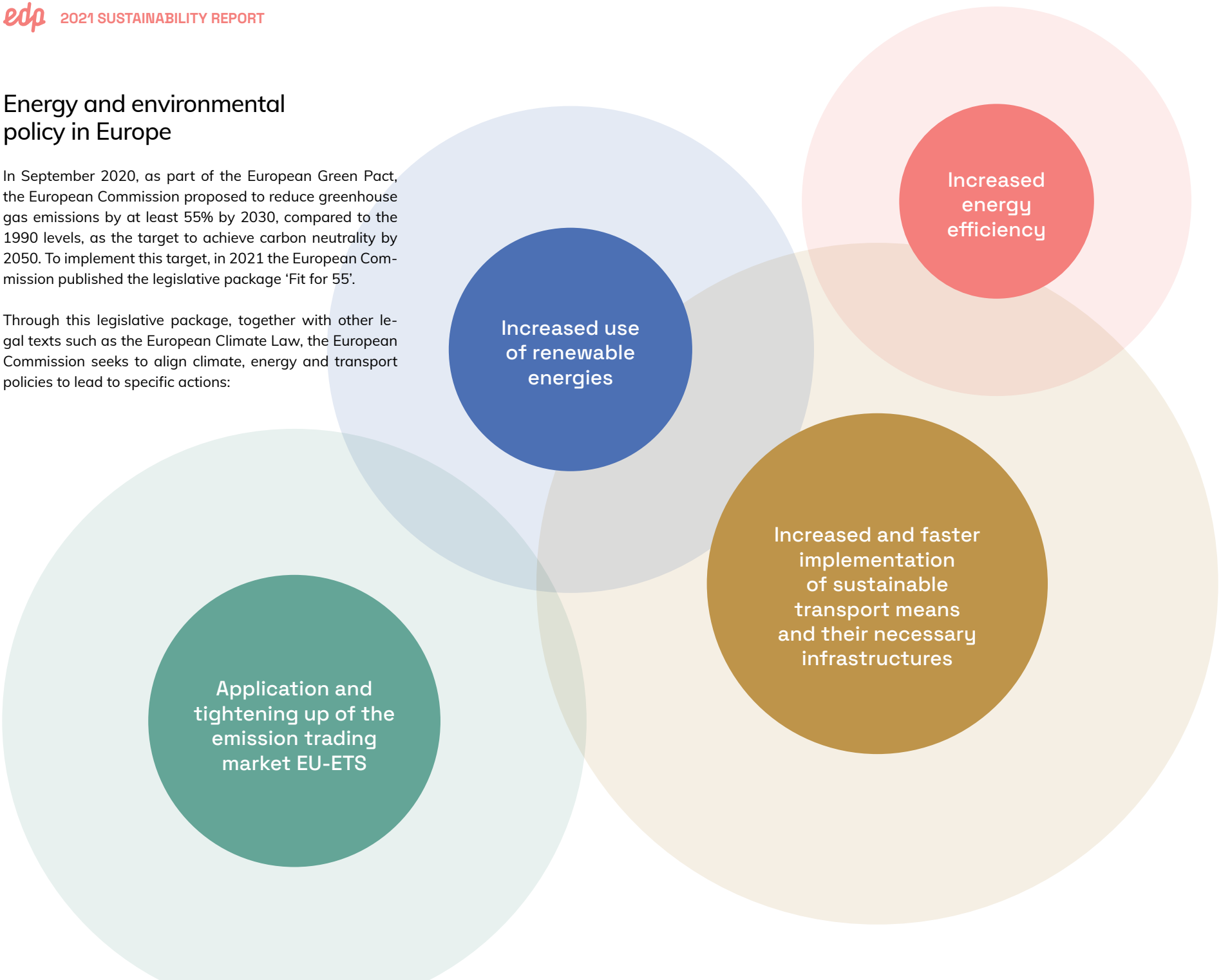


Source: International Energy Agency, World Energy Outlook 2021

Energy and environmental policy in Europe

In September 2020, as part of the European Green Pact, the European Commission proposed to reduce greenhouse gas emissions by at least 55% by 2030, compared to the 1990 levels, as the target to achieve carbon neutrality by 2050. To implement this target, in 2021 the European Commission published the legislative package 'Fit for 55'.

Through this legislative package, together with other legal texts such as the European Climate Law, the European Commission seeks to align climate, energy and transport policies to lead to specific actions:



2.2. ESG risk management

2.2.1. Main risks

The Group tries to have a global vision of the main risks to which it is exposed on a strategic, business, financial and operational level. Likewise, processes have been established to guarantee their monitoring and proactive management.

Year 2021 continued to be marked by the COVID-19 pandemic and by the high volatility in energy sectors, especially in the second semester. Risk management reaffirmed its importance, playing a key role in this disruptive context.

	EXPOSITION OF TOPICS (NON-EXHAUSTIVE)	RECENT OR EXPECTED DEVELOPMENT IN THE SHORT TERM		MITIGATION ACTIONS (NON-EXHAUSTIVE)
EXTERNAL ENVIRONMENT	• Geopolitical instability • Social and economic crises • Technology disruption • Changes in the competitive paradigm • Climate change	↑	• Macroeconomic uncertainty due to the inflation increase and its persistence and the social, fiscal and monetary response • Instability of the supply chains and, particularly, in the energy sector, increases exposure to the geopolitical risks in the supply of fossil fuels • Pandemic scenario expected in the short term, with risk of containment measures with a relevant economic and social impact (specifically, containment) due to the appearance of new variants. However, the risk can be mitigated with exhaustive vaccination plans for the population • Strengthening of the social and political commitment to renewable energies, with a direct impact on the countries in which the EDP Group operates	• Rigorous analyses and prospective investments are carried out to allow us to anticipate and adapt our business model to the potential market development trends (for example, digitisation, decarbonisation)
INTERNAL STRATEGY	• Investment strategy • Relationship with stakeholders • Business planning	=	• Communication to investors of a new strategic plan and strengthening of EDP España's commitment to renewable technologies, being coal-free by 2025 and with just transition plans • EDP ranks first and has obtained the best score in its history in the utilities sector in the Dow Jones Sustainability Index by S&P • EDP España has obtained the platinum medal in the EcoVadis index and is in the top 1% of comparable peers. Likewise, Viesgo Distribución has reached the top quintile in the sustainable infrastructure assessment index by GRESB	• Investments are submitted to a due diligence process on a group level, with pre-set criteria for the analysis, decision and monitoring of projects • Assessment of the investments by a specific committee

	EXPOSITION OF TOPICS (NON-EXHAUSTIVE)	RECENT OR EXPECTED DEVELOPMENT IN THE SHORT TERM		MITIGATION ACTIONS (NON-EXHAUSTIVE)
ENERGY MARKETS	• Fluctuations in pool, raw materials and CO2 prices • Volatility in the renewable energy production volume (that is, hydroelectric) • Volatility in the energy consumption • Changes in commercial margins	↑	• Volatility and record prices in the electricity and natural gas markets • Exposure to natural gas supply chain risks • Increase of the renewable capacity	• Diversified energy portfolio in line with the climate transition trend of investing in renewable energies • Long-term preferential contracts • The optimisation of the production margin in the market is carried out again by a specific area, with protocols duly framed within the risk policy • Coverage of the main exposure sources (for example, fuel prices)
REGULATION	• Variation of sectoral fees, taxes and charges • Changes in the fee systems of regulated activities • Changes in laws • Changes in standards (for example, environmental or climate-related)	=	• Regulatory impacts on Spain materialising with respect to the results of the Group	• Monitoring and thorough preparation of the different regulatory files, including the forecast of potential regulatory risks (for example, climate transition risks)
FINANCIAL MARKETS	• Fluctuations in interest rates • Fluctuations in exchange rates • Inflation	↑	• Increased uncertainty about inflation and interest rates	• Monitoring of interest rates according to the procedures and instruments planned in the Group policies and regular reports • Contracts with inflation indexation components
CREDIT AND COUNTERPARTIES (ENERGY AND FINANCIAL)	• Non-compliance by financial counterparties • Non-compliance by counterparties on energy matters (energy sales contracts) • Default by customers (B2B)	↑	• Increased credit exposures due to the price scalation in the energy markets	• Careful selection of reference counterparties and regular monitoring thereof • Diversification by having multiple counterparties • Non-speculative financial instrument with low complexity and low liquidity • B2B customers: credit insurance and bank guarantees (where appropriate)
LIQUIDITY	• Specific cash deficits • Downgrading of the financial rating and subsequent increase in financing costs and limited access to financing	=	• Increased liquidity needs due to price variations in the energy markets, offset by the conservation cash position of the EDP Group • The financial liquidity of the EDP Group is sufficient to meet the refinancing needs beyond 2022 • Improvement in EDP's rating by Standard & Poor's and Fitch and improvement in Moody's perspective, which strengthens EDP's investment grade	• Cash pooling • Liquidity levels based on a detailed forecast of the cash needs (sufficient to cover two years) • Diversification of the financing sources, the profile of the debt types and the maturity thereof

	EXPOSITION OF TOPICS (NON-EXHAUSTIVE)		RECENT OR EXPECTED DEVELOPMENT IN THE SHORT TERM	MITIGATION ACTIONS (NON-EXHAUSTIVE)
SOCIAL RESPONSIBILITIES	• Capitalisation of the Defined-Benefit Pension Fund • Additional costs of current and early retirement • Costs from medical expenses	↓	• Comfortable capitalisation position with a lower financing deficit risk due to the recovery of assets and the interest rate increase	• Regular monitoring of the Defined-Benefit Pension Fund, the value of its assets and the responsibilities assumed by a specific committee (Pension Plan and Fund Committee), with the participation of members from the financial and risk areas
PLANNING/ CONSTRUCTION OF PHYSICAL ASSETS	• Delayed implementations (PES) and loss of profits • CAPEX deviations	↑	• Increased instability and inflation in the supply chain	• Regular inspection and preventive maintenance • Crisis management and business continuity plans in case of disaster (for example, environmental, climate, structural, breakage damage) • All-risk insurance policies (mainly property damage and loss of profits, third-party liability and environmental liability) • Anti-fraud programmes (as regards non-technical losses) • Documentation and formalisation of the different existing processes focused on the specific area
OPERATION OF PHYSICAL ASSETS	• Damage to property and third parties • Faults by defects in the components or in the installation • Unavailability due to external events (for example, atmospheric events) • Technical and non-technical losses associated with the electricity distribution network	=	• Maintenance of the relevance of the extreme event risk, with an impact on the electricity generation and distribution assets	
PROCESOS	• Non-compliance with processes (regarding business activities, selection and management of suppliers, invoicing and customer receipts, etc.)	=		
HUMAN RESOURCES	• Occupational accidents • Unethical behaviour • People management • Relations with trade unions and other stakeholders		• Continuation of the COVID-19 pandemic, especially with the appearance of new variants and the need to guarantee the health and safety of employees and associates/partners of EDP	• Documentation, analysis and notification of incidents • Monitoring of the ethical risk by the Ethics Ombudsperson Office • Collection, analysis and assessment by the Ethics Committee of all the complaints about unethical behaviours • Regular assessment of the safety risks and implementation of safety measures (for example, regular training, safety teams) • Annual materiality analysis and qualitative interviews

A more detailed description of the different risks is available in the Corporate Governance chapter, section I, point 53, of the Annual Report of the Group.

2.2.2. Emerging risks

In addition to keeping a close watch on the main risks inherent to the activity of the Group, the main trends (on a global and sector level) that may be translated into threats and opportunities for the Group area also mapped, and the appropriate mitigation strategies are proactively developed. Due to their impact over the last years, the following trends should be highlighted: (1) the challenge of adjusting the wholesale market to the current conditions, (2) the change in paradigm of decentralised resources, (3) the industrial revolution and the digitisation of the electricity sector, (4) the growing threat of cybernetic risks and (5) the potential growing frequency and the worsening of the impact of extreme climatic phenomena.

	DESCRIPTION	IMPACT	MITIGATION MEASURES
WHOLESALE MARKET DESIGN	**Uncertainty about the development of the wholesale market design in the light of the current challenges:** • Ill-adjusted marginalist remuneration system in the current context of growing penetration of fixed-cost technologies (renewables, backup, storage); • Increased penetration of technologies with a zero marginal cost, reducing prices and making them more volatile)	• **Uncertainty about the profitability of conventional generation, particularly, the reserve capacity**, relevant from the supply security perspective. • **A volatile context** that does not favour the necessary long-term investments for the modernisation, decarbonisation and security of supply.	**Active and constructive participation in the different national and European forums for the adoption of appropriate and balanced market design solutions for the different stakeholders, particularly:** • Adoption of long-term contract auctions for the promotion of renewable energies. • Acknowledgment of the need for capacity remuneration mechanisms. • Promotion of the CO_2 price signal on a European level. • Promotion of the commitment to long-term contracts (renewable and conventional generation) to reduce the risk and increase competitiveness.
DISTRIBUTED RESOURCES	**Increase of distributed resources, including:** • Decentralised generation (particularly, photovoltaic solar) for self-consumption. • Electric vehicles. • Active management of demand. • Storage.	**Threat regarding:** • (Potential) margin reduction in traditional generation due to the decrease of the centralised-generated energy volume; • Reduction in the self-consumption customers contribution to the system costs (grids and others) and subsequent need for raising the fees. • Change in the energy flow dynamics in the grid. **Opportunity to sell new products and services.**	**Proactive role in the marketing of innovative products and solutions, with benefits in the margin and in customer loyalty:** • Sale of solar panels for self-consumption (and batteries). • Marketing of solutions associated with electric mobility (for example, green electric mobility). • Energy efficiency solutions (for example, re:dy applicable to electric cars, decentralised solar production, heating, control of exterior spaces). **An active regulatory management, particularly as regards the fee structure, providing efficient price signals and incentives.**

	DESCRIPTION	IMPACT	MITIGATION MEASURES

4th INDUSTRIAL REVOLUTION AND DIGITISATION	**Proliferation of new technologies with a disruptive potential in the electricity sector, including:**
	• Blockchain;
	• IoT.
	• AI/automatic learning.
	• Virtual/augmented reality.
	• Robotic process automation.
		Threat regarding the entry of new competitors, such as aggregators, design scientific research services (DSR) or customer solutions.
		• Business and operating optimisation opportunities.
		• Operation and maintenance of assets (generation and grids).
		• Pricing and segmentation.
		• Product and customer service innovation.
		• Optimisation of the back office and shared services.
			Monitoring of the best practices and developments in the digital sphere, applicable to the energy sector.
			• **Creation of a department dedicated to the digitisation of the EDP Group (Digital Global Unit DGU), as a result of the EDPX project, developed in cooperation with the internal and external specialists, for the acceleration of ideas and the testing of digital solutions:**
			  • Assets/operations (for example, predictive maintenance, active management, digitisation of field tasks, energy management/trade).
			  • Customer (product and service innovation, especially electrification).
			  • Group (AGILE/project-based solutions, internal process optimisation/automation).

CYBER RISKS	**Exposure to diverse cyber risks derived from the growing technology sophistication and integration.**	**Financial, operating and reputational losses,** derived, among others, from: • Business loss/halt (office/plants, invoicing and customer service). • Asset damage/destruction (grids, plants, other systems). • Data breach/destruction (personal and others).	• **Continuous improvement of internal system security.** • **Security Operation Centre (SOC)** dedicated to the continuous monitoring of the computer infrastructure security of the Group. • **Own cyberspace** to simulate and test the employees' reaction in the face of a cyberattack. • **Training and awareness actions** in line with the information security principles. • **Cybernetic risk insurance.**
EXTREME METEOROLOGICAL PHENOMENA	**Structural climate change** (particularly, temperature and rainfall), impacting on the frequency and severity of extreme meteorological phenomena (for example, floods, droughts, storms, fires)	• **Damage to physical assets and loss of profits.** • **Impact on the quality of the service provided** (distribution network). • **Potential structural changes in water producibility** (average and volatility).	• **Geographical and technological diversification.** • **Active role in the climate change fight agenda** (specifically, in the promotion of decarbonisation and energy efficiency). • **Adoption of the TCFD1 recommendations** and mapping of the main climate risks for EDP according to the categorisation of transition and physical risks. • **Existence of areas and plans devoted to crisis management and business continuity,** on a corporate level and with concern to the main business units.

[1] *Task Force on Climate-related Financial Disclosures*

2.2.3. Climate risk strategy and management

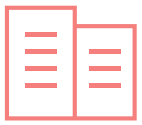
During 2021, a procedure focused on recurring climate risk analysis was approved in the framework of corporate risk management. It is described below.

Climate risk and opportunity framework

Climate risks have a specific annual process to assess, along with the business units, which the main climate risks and opportunities are, in order to test the Group's financial resilience regarding climate transition.

The process, run by the Corporate Centre, is supported by a specialised interlocutor network present in the different business units, and it is divided in three stages, which are detailed below.

The quantification exercise is carried out for each material risk in 3 time horizons (4-, 10- and 30-year business plan) and according to three different climate scenarios. The exercise is consolidated on a Group level, by business unit and business segment.



Validation of the climate risk and opportunity taxonomy by the business units

It guarantees the exhaustive identification of risks and opportunities in every business and geographical area, in line with the structure defined in the TCFD recommendations.

Validation and alignment of climate scenarios

It includes the validation and updating of physical and transition sub-scenarios, as well as the main (physical and transition) climate variables.

Quantification by the business units of the climate risks and opportunities and final calculation of an aggregate climate Value@Risk

It envisages the quantification of the most relevant risks and opportunities for each business and geographical area (for example, with an EBITDA impact over €1 M).

1. Validation of the climate risk and opportunity taxonomy

The EDP Group has three specific climate risk and opportunity taxonomies, in line with the structure recommended by the TCFD, validated and regularly updated.

Climate taxonomy is aligned with corporate taxonomy, with climate risks present in various risk categories, that is the physical risks, which affect on a business level the energy market risks (renewable energy generation and production volume), and, on an operating level, the physical asset risks (damage, loss of efficiency, delays, etc.) In turn, transition risks and opportunities have an impact on: 1) the risks of the context surrounding them (technology disruption and change of competitive paradigm), on a strategic level; 2) the relationship with stakeholders; 3) the energy market (raw materials, pool and demand) and regulation, on a business level; and 4) legal, compliance and ethical risks, on an operational level.

For this purpose, the aggregate scenarios used in the quantification of risks and opportunities by EDP are presented on the page below.

2. Validation and adjustment of climatic scenarios

In order to test climate change resilience, the EDP Group devised three different scenarios that include physical and transition scenarios. For each scenario, an exposure based on RCP (Representative Concentration Pathway) scenarios of the Intergovernmental Panel on Climate Change (IPCC) was created for the analysis of physical risks and on International Energy Agency (IEA) scenarios. Likewise, some internal adjustments were made to adequately represent the EDP reality to analyse the transition risks.

Physical risks

Chronic risk

- Temperature increase
- Average sea level rise
- Water availability
- Wind availability

Acute risk

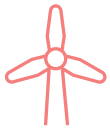
- Extreme heat/cold days
- Consecutive extreme heat/cold days
- Extreme events (wind, rainfall, fire)

Transition risks

- Regulatory and legal risk
- Market risk
- Technology risk
- Reputational risk

Transition opportunities

- Energy sources
- Products and services
- Resource efficiency
- Markets
- Resilience

	Physical scenarios	Transition scenarios
 **IEA SDS** (with internal adjustments) **+ RCP 2.6**	• **Compliance with the Paris Agreement.** • The energy system attains **carbon neutrality by 2070.** • **Temperature increases between 1.5 °C and 2 °C.** • The average sea level rises 0.4 m and ocean acidification starts to recover by 2050.	• **Economic growth** and **job creation** linked to sustainable energy. • Cleaner and more resilient **energy system.** • **International cooperation** for sustainable development. • Lower prices of fuels and renewable generation. • **Very high price of CO_2.**
 **IEA STEPS** (with internal adjustments) **+ RCP 4.5**	• **The Paris Agreement is not met.** • **Temperature increases between 2° C and 3 °C.** • Extreme temperatures are increasingly frequent. • Sea level rises 0.5 m and many species cannot adapt to it.	• In general, the announced policies are met. • **Only policies to reduce the use of fossil fuels are adopted, but the demand is still high.** • **The fuel prices rise and the renewable energies get cheaper**, with an average CO_2 price.
 **IEA CP** (with internal adjustments) **+ RCP 8.5**	• **The Paris Agreement is not met.** • **Temperature increases more than 3 °C.** • Extreme events become increasingly frequent. • There are major variations in rainfall. • Sea level rises 0.7 m.	• **No additional efforts have been made for sustainable development.** • **Policies limited to reduce fossil fuels and promote sustainable sources.** • **High demand and high prices of fossil fuels.** • **The fossil fuels and CO_2 emissions proportions do not change.** • **The CO_2 price remains low.**

2.3. Strategy, goals and targets

2.3.1. EDP 2030 Ambition

The goal of EDP is leading the energy transition, creating higher value for the stakeholders. In order to achieve it, the 2030 Ambition strategy is based on these three pillars:

- **Accelerated and sustainable growth,** such as green, resistant and solid growth
- An **organisation prepared for the future**, global, agile, innovative and digitally-focused
- **ESG excellence** at the core of the strategy, along with leadership, positioning and return.

COMMITMENTS	STRATEGIC CORES	TARGETS	2025	2030
ACCELERATED AND SUSTAINABLE GROWTH	Boost of green growth	CAPEX in energy transition[1] (billion €)	24	-
		Increased capacity[1] (GW)	20	-
		Asset rotation (billion €)	8	
	Distinctive and resilient portfolio	EBITDA (billion €)	4,7	-
		FFO/Net debt[2] (%)	>20	-
		Renewable generation (%)	85	100
	Solid balance sheet	Renewable hydrogen capacity (GW)	-	1,5
		Fleet electrification (%)	>40	100
		Electric vehicle charging points (#)	>40,000	100,000
ORGANISATION READY FOR THE FUTURE	Global, agile and efficient	OPEX savings in comparable terms (€M)	100	-
		TOTEX in digitisation and innovation[3] (billion €)	2	-
	Talented people with decision-making abilities	Commitment to employees (top tier company)	✓	✓
		Women (%)	30	35
		Frequency rate (accidents)[4]	1.55	<1.00
		Women in leading positions (%)	30	35
		Senior management[5] remuneration linked to equity and ESG	✓	✓
	Innovator and digitally-focused	Cybersecurity (rating)[6]	Advanced[7]	Advanced[7]
ESG EXCELLENCE AND APPEALING RETURNS	ESG benchmarks	Carbon free	✓	✓
		Carbon neutral	-	✓
	Positioning: green leadership	Net income (billion €)	1.2	-
		Minimum dividend (€/share)	0.19	-
		Income aligned with the European taxonomy (%)	70	>80
		1- and 2-scope emissions (gCO_2/kWh)	100	0
	High profitability	Total waste (k tons)	118	30
		Social investment aligned with social SDGs (€M)[7]	50	100
		Top quartile in ESG[8] assessment indices	✓	✓

(1) 2021-2025. (2) FFO/ND formula consistent with the methodologies of the rating agencies, taking into account the recurrent EBITDA definition of EDP. (3) 1,000 million euros of TOTEX in Innovation, 1,000 million euros of CAPEX in Digital. (4) Number of accidents per million worked hours (including employees and contractors). (5) Applicable to the Board of Directors and the senior management; the changes in the Board of Directors depend on the General Meeting of Shareholders. (6) 'BitSight' cybersecurity index, obtained rating higher than or equal to 740. (7) Accumulated values since 2021. (8) Including DJSI, FTSE4Good, MSCI and Sustainalytics.

In the **ESG** excellence section, there are three key commitments, such as the very leadership of the energy transition, with a clear commitment to the protection of the environment, to a positive impact on society and a strong governance structure. ***#ChangingTomorrowNow*** is the motto that guides this strategy.

Thus, we aspire to climate positivity through two major milestones. The first one is to stop using coal in our operations by 2025, with a marked acceleration in renewable energies; and the second one is to get ahead of the carbon neutrality goal by two decades with respect to the Paris Agreement, with a 100% renewable production, offsetting emissions, managing climate risks and applying adjustment plans to all the Platforms to strengthen their resilience.

Likewise, we aim to boost environmental development through asset and process circularity, ensuring decision making under circular economy criteria, minimising waste and maximising reusing, with a responsible management of water consumption and use. Furthermore, we seek to acknowledge the value of nature and its limits, keeping the commitment to protect, restore and promote the sustainable use of land ecosystems and biodiversity, with a No Net Loss goal for 2030 in all the projects.

Aspiring to climate positivity...

Stop operating with coal by 2025, with a marked acceleration in renewable energies.

Get ahead of the carbon neutrality goal by two decades by 2030, way before the Paris Agreement.

Aspiring to climate positivity and managing climate risk.

Implementing adjustment plans in all the business units to further mitigate climate risk and strengthen resilience.

'Hectárea Zero' project: first project implementing the Climate Change Adaptation Plan of EDP España.

...accelerating circularity...

Making decisions throughout the company under circular economy principles, minimising waste and maximising reuse.

Responsibly managing water consumption and use, maximising its value.

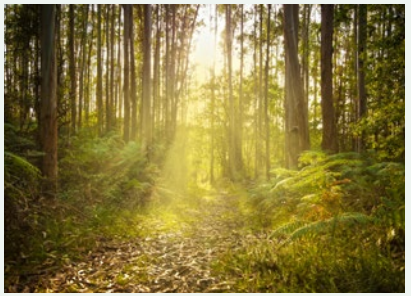
CIRCUMETRIC

Circumetric: EDP España tool to measure circularity in projects.

...and improving natural capital

Acknowledging the value of nature and its limits and, in line with United Nations, maintain the commitment to protect, restore and promote the sustainable use of land ecosystems and biodiversity

Establishing a No Net Loss goal for 2030 in all our new projects. We commit to mitigate our impacts on biodiversity with the goal of being positive in net terms.



'Hectárea Natura' project: project for the improvement and replacement of ecosystem services.

All of this in addition to the values and principles of a just transition, boosting a positive impact on society.

Guaranteeing a just transition...

To **overcome the economic and social cost of climate transition** in the regions most affected by the technology change and digitisation, EDP commits to:

- **Mobilise investment in renewable energies** for the regions affected by the closure of coal power plans and **support relocation and vocational training programmes, as well as the creation of sustainable companies** in the affected regions
- **Accelerate investment and innovation in energy transition and new technologies** (such as electric mobility and hydrogen), generating economic growth and job opportunities

...positively impacting on society

- **Foster the adaptation and transformation** of our stakeholders, in particular, our suppliers, by implementing policies aimed at a **sustainable value chain**
- Be a driving force behind a **positive change in our society**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

ENTAMA programme: local entrepreneurship programme, awarded with the Go!ODS prize for its impact on SDG 11.

The strategic plan is thus organised around 12 objectives to foster sustainability.

LEADING THE ENERGY TRANSITION

4 CLEAN GENERATION
Decarbonise generation, achieving carbon neutrality and offsetting residual CO_2 emissions

2 SUSTAINABLE CONSUMPTION
Decarbonise consumption and promote low-carbon and energy-efficient products and services

3 INNOVATION AND DIGITAL TRANSFORMATION
Strengthen the focus on four innovation pillars: cleaner energy, smarter grids, storage and flexibility and client solutions, enhanced by a strong digital culture

4 JUST TRANSITION
Promote a just transition by mobilising renewable energy investments in coal phase-out regions and support workers and communities in a sustainable and economically inclusive way

COMMITTED TO THE PROTECTION OF THE ENVIRONMENT

5 CIRCULAR ECONOMY
Accelerate circularity of our assets and business models, with a particular emphasis on water management

6 NATURAL CAPITAL
Assess and integrate natural capital into our decision-making processes, having biodiversity protection as a main driver

7 ADAPTATION AND RESILIENCE
Mitigate climate risks and reinforce EDP's resilience to medium- and long-term climate effects

...WITH A POSITIVE IMPACT ON SOCIETY

8 DIVERSITY AND WELL-BEING
Provide a fair and safe workplace at EDP and be based on strong principles of Diversity and Inclusion

9 SUSTAINABLE VALUE CHAIN
Apply decarbonisation, gender equality and reporting criteria in the selection of materials and services and in the choice of suppliers

10 INCLUSIVE COMMUNITIES
Contribute to a better society and the development of local communities through continuous social investment

...AND A SOLID GOVERNANCE STRUCTURE

11 ETHICAL BEHAVIOUR
Continue to promote a strong ethical culture internalised in all principles and internal policies

12 ESG GOVERNANCE STRUCTURE
Clearer relation of variable compensation to ESG standards and shareholder value, and better practices in remuneration policy

12 OBJECTIVES TO FOSTER SUSTAINABILITY

EDP, the most sustainable utility in the world

EDP has been recognised by the Dow Jones Sustainability Index (DJSI) as the best energy company that develops the best sustainability practices in the world, **ranking first on this index among the 103 assessed enterprises**. Furthermore, the company stands out because it has been included in this world reference index for 14 consecutive years.

With a final score of 91 points (out of 100), three more than in 2020, **EDP has obtained the best result since it entered the index in 2008**.

Among the 27 assessed criteria, EDP has obtained the maximum score in eight of them: risk and crisis management; materiality; environmental information; social information; influence on public policies; citizenship; risks related to water and market opportunities. In the two latter criteria, EDP has also received the 'Best in Class' recognition.

In this year's series, which invited 3,559 companies of the S&P Global Broad Market Index to actively participate, 322 companies have been selected to integrate the world DJSI, including EDP. In this group, there are 13 utilities, 7 of which are electricity companies. On a European level, the DJSI Europe has selected 147 companies, which include 5 electricity companies, including EDP.

This recognition reveals EDP's commitment to good sustainability practices in their different dimensions and the positive impact they generate, not only regarding their operation, but also in the different economic and social areas. As leader of the energy transition, EDP is in line with sustainable development and fight against climate change – essential practices to guarantee the protection of the environment and value creation.

The Dow Jones Sustainability indices are some of the world reference indices on sustainability matters, and they were created in 1999 as the first reference non-financial performance index for listed companies around the world. In addition to the economic and financial indicators, this index assesses criteria such as transparency, corporate governance, risk management, relationships with the different stakeholders, and social and environmental responsibility, among other ESG aspects.

The latest versions of other indices in which we are present can be consulted by clicking on the corporate website:

CLICK HERE TO GO TO WEBSITE

2.3.2. Materiality

EDP's materiality analysis process is developed, since 2016, using a cross-cutting methodology common to the entire Group.

A Materiality Study is conducted on a yearly basis in order to identify the most relevant aspects for all the stakeholders, including both positive and negative aspects, either current or in the medium- or long-term. The main stages of this materiality process are described below.

STAGE 1
Updating of the material topics

Based on cross-cutting sources and material topics from the previous year.

STAGE 2
Prioritisation of the relevant topics for the society

Identification of relevant topics for each stakeholder

- Direct sources (direct listening)
- Indirect sources (public information)
- Cross-cutting sources (indices and studies)

STAGE 3
Prioritisation of the relevant topics for the business

Identification of relevant topics for the business
Through the analysis of:

- Strategic business goals
- Business plans of the strategic areas
- Risk and opportunity management policies and reports
- Interviews with the Management

STAGE 4
Preparation of the materiality matrix

Intersection of relevant topics for Society v Business
Preparation of the Materiality Matrix

STAGE 5
Analysis of critical and sensitive topics

Analysis of the results for the following purposes:

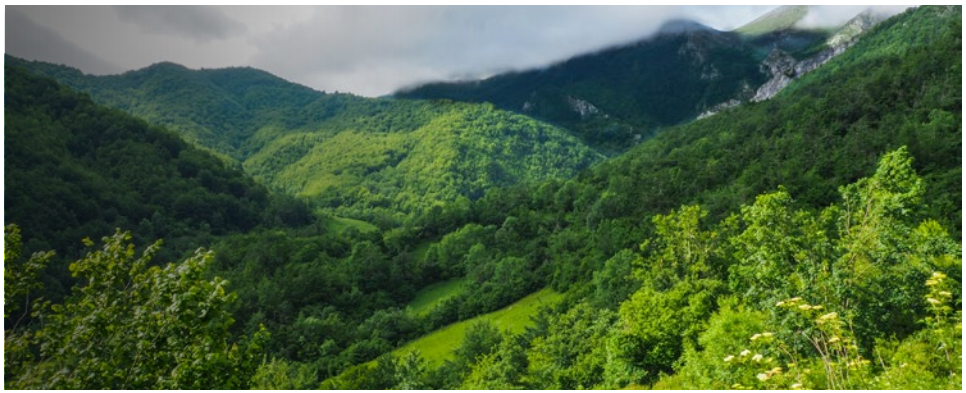
- Definition/updating of the sustainability strategy
- Critical topics – Effective management
- Sensitive topics – Action plans

This direct or indirect engagement of the stakeholders by analysing and listening their needs and expectations not only proves a transparent management, but it also allows to identify and prioritise the aspects on which the management will be based, both regarding risk management under the precautionary principle and identification of threats and opportunities.

EDP methodological approach to define materiality takes into account the concept of double materiality, as defined by the GRI standards. This reflects the importance given by the Group to the relevant topics of society, which takes into account their impact on the stakeholders.

In 2021, 21 categories were identified and grouped into 60 topics, as in the previous year. In view of this, the results of the materiality study for EDP España are detailed below.

1- The most relevant categories for the stakeholders (relevance for society) are:



ECONOMIC COMMITMENT	Sustainable mobility (93%) Crisis management (91%) Digital transformation (86%) Innovation and investigation (79%) Energy infrastructures (75%) Corporate governance (71%) Business ethics (68%) Socially responsible investment (61%) Business sustainability (57%) Supplier management (54%)
ENVIRONMENTAL COMMITMENT	Energy efficiency (100%) Climatic changes (93%) Environmental management (89%) Renewable energy promotion (79%)
SOCIAL COMMITMENT	Human and labour rights (93%) Vulnerable customers (93%) Communication and transparency (89%) Engagement with local communities (87%) Customer satisfaction and service (77%) People management (75%) Safety (70%)

%: Relevance level

2- The most relevant categories for EDP España (relevance for the business) are:

ECONOMIC COMMITMENT	ustainable mobility (95%) Supplier management (79%) Digital transformation (86%) Crisis management (64%) Innovation and investigation (63%) Energy infrastructures (58%) Business sustainability (55%) Socially responsible investment (48%) Business ethics (25%) Corporate governance (23%)
ENVIRONMENTAL COMMITMENT	Energy efficiency (100%) Climatic changes (98%) Renewable energy promotion (95%) Environmental management (91%)
SOCIAL COMMITMENT	Safety (68%) Engagement with local communities (67%) Customer satisfaction and service (58%) People management (50%) Human and labour rights (48%) Communication and transparency (39%) Vulnerable customers (30%)

The materiality matrix prepared in the last quarter of 2021 is the following:

MATERIALITY REPORT

1. Sustainable mobility
2. Vulnerable customers
3. Digital transformation
4. Corporate ethics
5. R&D
6. Energy infrastructures
7. Economic sustainability of the business
8. Corporate governance
9. Socially responsible investment
10. Supplier management
11. Energy efficiency
12. Climatic changes
13. Renewable energy promotion
14. Environmental management
15. Engagement with local communities
16. Crisis management
17. Communication and transparency
18. Human rights
19. Safety
20. Customer satisfaction and service

The matrix is obtained from the analysis of external relevance (relevance for society) and internal (relevance for the business).

The matrix shown below is divided into 9 sections that represent the materiality level in each category.

CRITICAL RELEVANCE (very relevant for the society and the business)
SENSITIVE TOPICS FOR THE BUSINESS (very relevant for the society and not much relevant for the business)
HIGH RELEVANCE (medium-high relevance for the business and medium-low relevance for the society)
MEDIUM RELEVANCE (medium relevance for the society or medium relevance for the business)
LOW RELEVANCE (low relevance for the society and for the business)

Additionally, in this study, emerging topics have been identified, that is, topics that the stakeholders start to emphasise and which do not reach yet a relevant management level and can be thus a source of risks and opportunities.

The following have been identified as emerging topics in this latest report:

- ROBOTICS/AI/AUTOMATION
- GREEN HYDROGEN
- ENERGY STORAGE
- VALUE CHAIN OF BATTERIES
- SHARED SELF-CONSUMPTION
- ENERGY DEMAND MANAGEMENT
- INCLUSIVE ORGANISATION ATTENTIVE TO DIVERSE REALITIES
- BIODIVERSITY PROTECTION: COP26

2.3.3. EDP España 2021-2025 Sustainability Plan

After the approval and public launch of the Strategic Plan of the EDP Group, 2030 ESG Ambition The decade of the decisive action, taking into account the new business plans of the Generation, Grid and Customer Platforms, and taking into account the results of the materiality study, the EDP España 2021-2025 Sustainability Plan, both on a Group level and for each of the Platforms (Generation, Grid and Customer, was presented and approved by the Board on 29 April 2021.

Fight against climate change
- Coal-free by 2025
- Carbon neutral by 2030
- 100% renewable generation by 2030

Diversity, equality and inclusion
- >35% women by 2030
- Guaranteeing employee engagement
- Optimising social investment: >€100 M in investment in SDGs (2021-2025)

Solid management structure
- Innovation: €1 B (2021-2025)
- Digital transformation: 1 B€ (2021-2025)
- Best ethical and compliance practices

		2025	2030
Environment	Income aligned with the European taxonomy	~70	>80
	1- and 2-scope emissions	~100	0
	Renewable	~85	100
	Coal installed capacity	0	0
	Total waste	118	30
Social	Committed employees (top company)	✓	✓
	Women average	30	35
	Accident frequency rate	1,55	<1
	Social investment in	50	100
Governance	Women in management organs	30	35
	Remuneration of the senior management linked to equity and ESG	✓✓	✓✓
	Cybersecurity (rating)	**Keep advanced** cybersecurity BitSight roting[4]	
	Top quartile in ESG performance indices	✓	✓

(1) *Number of occupational accidents per million worked hours (including employees and contracts).*
(2) *Excluding from 2020 on, accumulated values since 2021.*
(3) *Applicable to senior management and top executives; the changes in the management tier depend on the General Meeting of Shareholders.*
(4) *>=740; 5. Including DJSI, FTSE4Good, MSCI and Sustainalytics.*

This plan, named Beyond, implements the 12 strategic objectives of the Group in the Platforms and corporate divisions of EDP España, through **Business** initiatives that must be executed by the business and that contribute to achieving the Group's ESG goals; **Boost** initiatives, as business and DASIC initiatives, as the driver and necessary support for the joint development of the initiative prior to its final integration into the business as BaU; and finally, **Beyond** initiatives, as innovative initiatives fully promoted and executed by the DASIC, addressing both material and emerging topics.

The Sustainability Plan has been jointly prepared between the platforms and corporate divisions of EDP España for jointly establishing the goals and objectives according to the respective business plans.

Taking into account EDP 12 sustainability objectives and the emerging topics in Spain, the Sustainability Plan is finally made up of 41 initiatives that are grouped according to ESG criteria:

15 ENERGY TRANSITION

- 3 Clean generation
- 6 Sustainable
- 5 consumption Innovation and digital
- 1 transformation Just transition

14 SOCIAL IMPACT

- 5 Diversity and well-being
- 4 Sustainable business partners
- 5 Inclusive society

41 initiatives

6 ENVIRONMENTAL PROTECTION

- 2 Circular economy
- 3 Natural capital
- 1 Adaptation and resilience

6 GOVERNANCE

- 1 Ethical behaviour
- 5 Recognition of sustainability

In the face of the global challenge of 2030 Agenda and the Sustainable Development Goals, EDP wants to be part of the solution and this is evidenced by the ambitious 2021-2025 Sustainability Plan.

Our main challenge is reaching carbon neutrality by 2030, with a 100% renewable production, mitigating risks and defining a very ambitious adaptation plan. Along with this challenge, circular economy must be present in all the processes, as well as biodiversity protection and enhancement of natural capital as a whole, seeking a positive impact on society, committing to inclusive communities and responsible consumption. All of it based on a solid governance structure and a transparency commitment to the stakeholders, thus proving our ESG excellence.

Yolanda Fernández Montes
Environment, Sustainability, Innovation and Climate Change

The Sustainability Plan is annually updated taking into account the materiality analysis of the year, emerging topics, ESG risks and opportunities and business plans. A quarterly ESG report has been established for each platform in order to monitor it.

BEYOND

#SomosFuturoSomosEDP

2.3.4. Commitment to excellence

EDP España is present in many indices, task forces, observatories and initiatives in general with the aim of improving the Group's position in sustainability.

This way, it makes visible the best practices implemented in essential sustainability matters, while it monitors trends, emerging topics and practices of other stakeholders to conduct a subsequent benchmarking and an internally applicable analysis.

GRESB

Specifically, EDP Redes España currently participates in the ESG assessment index for infrastructure assets (GRESB) through the company Viesgo, which has been recognised for its environmental, social and good governance performance in the September 2021 assessment regarding year 2020.

Thus, Viesgo ranks fourth in the GRESB index, which places it within the top quintile of infrastructures companies around the world. It has obtained 93 points out of the 100 possible points.

Created in 2009, the purpose of the GRESB index is knowing the integration and development of the ESG criteria in companies. This index is used as an assessment and comparison tool to measure and rate the quality of the infrastructures in such aspects related to sustainability.

It is worthy of note that it has reached the first position among all the companies in performance/performance management. In key sections such as health and safety, environment and biodiversity or employees and customers, it has obtained the maximum score possible, 100 out of 100. This outstanding place in the ranking encourages us to keep working for an increasingly sustainable world, and it also evidences a growing interest by companies all over the world in models in which the ESG (environmental, social and governance) factors are increasingly important in the decision-making process.

Unlike other indices that assess isolated projects, GRESB measures the companies' performance in a comprehensive way:

a. Footprint of the asset: energy efficiency actions and measures taken to monitor and decrease the environmental footprint of the asset.

b. Direct social impact: relationship and impact of the entity on its stakeholders and direct impact of its activities on society.

c. Sustainability governance: sustainability policies, procedures and approach, on an entity or organisational level.

Furthermore, it assesses other aspects such as commitment to stakeholders, policies, risks and opportunities, management, management of indicators and certifications, etc.

For the GRESB 2022 infrastructure asset assessment, it is planned to extend the candidacy to the all the distributor companies integrated in EDP Redes España.

EcoVadis

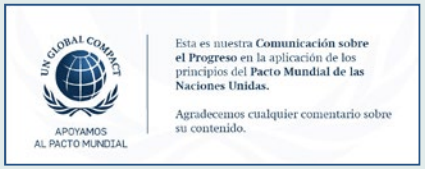
There is an increasingly number of customers in the Large Account segment that request, in the tendering process, to know and assess the environmental performance of EDP España, becoming a limiting factor even for submitting the offer.

EcoVadis stands out as the sustainability assessment platform most demanded by this customer segment. In the 2021 assessment, EDP España has obtained a **Platinum medal**, with a score of 73 points out of 100, being positioned in the top 1% of comparable peers (percentile 99), which involves a substantial improvement with respect to 2020 rating, when it had a Gold medal and was in the top 4% (percentile 96).

The aspects assessed by this EcoVadis platform include environmental matters, labour practices and human rights, ethics and sustainable procurement.

During the year, 39 relevant interactions with qualified customers have been recorded in the platform. These customers have requested to check our rating and performance through EcoVadis as a necessary and indispensable step to enter the tendering process.

Spanish Network of the Global Compact



EDP España is a signatory to the Global Compact since its beginning in year 2004, and, since then, it has been collaborating in different initiatives with the Spanish Network. In year 2021, we highlight the following collaborative actions:

- Validation of EDP España Sustainability Report as a Progress Report and its publishing on the Spanish Network of the Global Compact website and on the UN Global Compact website.
- Validation of EDP Redes España Sustainability Report as a Progress Report and its publishing on the Spanish Network of the Global Compact website and on the UN Global Compact website.
- Publishing of the ESG good practices of EDP España.
- Collaboration in the campaign #apoyamoslosODS.
- Participation in the publication 'SDG Year 6. 2030 Agenda from a sectoral approach' and attendance to the event celebrating the 6th anniversary of 2030 Agenda (25 September).
- Publication of an editorial on the Global Compact website: 'Energy transition: a renewable and circular path'.
- Promotion of the Barrio Solar Zaragoza project and the Entama programme in the Go!ODS awards.

forética

n 2021, it was completed EDP España adherence to Forética, a benchmark organisation in sustainability and corporate social responsibility, representative of the World Business Council for Sustainable Development (WBCSD) in Spain, national partner of CSR Europe and member of the State CSR Council in Spain.

Among the most outstanding interventions of EDP España within Forética, we can mention its participation in the Circular Economy Task Force and its attendance to the work sessions of the Transparency, Good governance and Integrity, Climate Change and Social Impact clusters, where it is expected to have a more active role in following years.

CEOE

Participation in committees and task forces on ESG matters:

- Sustainable Development and Ecologic Transition Committee
- Research, Development and Innovation Committee
- Corporate Social Responsibility Committee
- Water and Littoral Protection Task Force
- Environmental Quality Task Force
- Climate Change Task Force
- Natural Capital, Biodiversity and Business Task Force
- Circular Economy/Waste Task Force
- Sustainable Finances Task Force
- Energy Transition Task Force
- 2030 Agenda Task Force
- Non-financial information Task Force

Likewise, we participate in public sessions of the organisation, such as the event 'The economy we will be, prepared for change', organised by CEOE-CEPYME in Torrelavega (Cantabria).

aelēc

Participation together with Aelēc (Electric Energy Companies Association) in the dissemination, spreading and promotion of the aspects related to energy transition and digital transformation of the electric sector in Spain sector or in its entire value chain.

CÁTEDRA DE ENERGÍA Y POBREZA | COMILLAS ICAI

EDP España actively participates in the Advisory Board of the Chair, which promotes studies or training and spreading actions for the purposes of contributing to mitigate energy poverty, among others.

Club de calidad
Avanzando en gestión

The activity of the Club Asturiano de Calidad is very remarkable on sustainability matters, the collaboration of EDP España being constant in the initiatives, activities and congresses it organises. In 2021, the following stood out:

- Participation in three Expert Groups: group of Experts in CSR, Operation and Lean Expert Group and Commercial Directors Group.
- Participation in the study 'Analysis of the integration of social responsibility in the strategic management of Asturian organisations', prepared by the Cátedra Asturias Prevención.
- Participation in the virtual business conference 'Towards 2030 Agenda: Good CSR practices in the Asturian company'.
- Participation in the 'Guide for the preparation of a Safe and Healthy Teleworking Plan' promoted by the Asturian Institute for Occupational Health and Safety of the Principality of Asturias.
- Participation in the (Asturias and 2030 Agenda programme promoted by the Directorate for Citizen Engagement and 2030 Agenda of the Principality of Asturias.

CSR commitment

Publication about the Corporate Social Responsibility of EDP España on the ESG practices dissemination portal.

Corresponsables

Participation in the Corresponsables Annuary, a highly relevant ESG publication in Latin America. Publication of ESG news and good practices on the Corresponsables Portal.

CSR portal in the Ministry of Labour and Social Economy

Publication of the Sustainability Report of EDP España on the Portal and validation thereof.

CODESPA Foundation and Enterprise Observatory for Inclusive Growth

Participation in the 2nd Experts' Workshop of the Observatory for Inclusive Growth and promotion of the Entama programme.

COGERSA

SEMANA EUROPEA DE LA PREVENCIÓN DE RESIDUOS

Collaboration in the European Week for Waste Reduction (EWWR). The EWWR is an initiative of the European Commission coordinated in Asturias by COGERSA. EDP España uninterruptedly participates in the annual series of this initiative, which is already in its 12th year, not only by fostering the waste reduction principles promoted on a European level, but also by enhancing the initiatives of the EDP Group as regards circular economy.

This year, the circularity measuring tool Circumetric has been promoted as a good practice. It is an innovative initiative with potential in the decision-making process in environmental management, both through in-company training sessions and through the editing of an informative video in Spanish and English.

COTEC

The Cotec Foundation for innovation is a private non-profit organisation whose goal is promoting innovation as an economic and social development driving force.

EDP España actively participates in the Economy and Talent Committees.

In 2021, we have participated in the 14th COTEC Europe Summit, under the motto 'Transition towards intangible economy in Europe', with the participation of the Heads of State of Spain, Portugal and Italy.

Collaboration with universities

- Running of the 3rd Electricity Sector Seminar – EDP in the Polytechnical Engineering College of Gijón of the University of Oviedo. This year, the now 100% digital seminar has also included students from other Engineering Colleges, such as the Universidad Politécnica de Madrid and the Higher Technical School of Engineering of the Universidad de Comillas (ICAI), exceeding more than 100 registered students.
- Collaboration in the Master's Degree in Information Systems and Accounting Analysis taught by the University of Oviedo, in the 'Non-financial information' topic.
- Participation in the Master's Degree in Lean and 6Sigma Operation Management, taught by the Instituto Universitario de la Empresa of the University of Oviedo.
- Masterclass about Stakeholder Management in the Social Labour College of the Universidad Laboral de Gijón.

UIMP
Universidad Internacional Menéndez Pelayo

EDP España has promoted and coordinated the summer course 'ESG strategy at the core of energy transformation. A decisive decade' of the International University Menéndez Pelayo (UIMP).

The course involved the participation of the EDP España CEO, Rui Teixeira, the president of the regional Government of Cantabria, Miguel Ángel Revilla, the mayor of Santander, Gema Igual Ortiz, the regional minister of Industry, Tourism, Innovation, Transport and Trade of the Government of Cantabria, Javier López Marcano, and the General Director for Energy Policy and Mining of the Ministry for the Ecological Transition and the Demographic Challenge, Manuel García.

In five thematic round tables, numerous national and international experts of the sector discussed about the most relevant aspects of the current energy transformation context and its environmental, social and governance implications in organisations. The round tables were the following:

- Climate neutrality and adaptation
- Decarbonising with circular economy
- The value of natural capital for companies
- Innovation for transformation
- Society in a decisive decade

Others

We have actively participated in other acts and events of different prominent organisations on ESG matters. The following can be highlighted among them:

- La Granda courses, Technical Conference about Raw materials necessary for energy transition.
- Round table about WG Blockchain, P2P trading and transactive energy of CIRED 2021.
- Webinar about CIEMAT/AEPIBAL/BatteryPlat: technologies, operation and application of energy storage in electric systems.
- Innovation and regulation in the framework of energy transition Funseam.
- Professional and Freelancer Union (UPTA): Workshop about suppliers and SCR.

Dissemination of EDP's position in sustainability

- Impact on the press: publications on special pages about CSR on the Asturian media, such as La Nueva España and El Comercio, and Andalusian media, ABC Sevilla.
- Actions in social media: LinkedIn, Twitter and Instagram.

2.3.5. Continuous improvement

Lean is the strategic programme for continuous improvement of the EDP Group, since year 2006, when the first team was launched in the thermal power plant of Soto, and progressively, the rest of Generation premises, the Distribution area and Retail have been incorporated.

Lean keys in EDP España are five: people, initiatives, adaptation, communication and innovation. Lean is a programme focused on people, since they play a main role in continuous improvement, by identifying problems and opportunities as well as designing and implementing the improvement initiatives to meet these needs.

This way, people and teams work on the daily improvement, making Lean the sum of small improvements that, overall, produce major results. Those improvements are in the efficiency, availability, environment, health and safety management, and stakeholder relationships areas, while they also involve cross-cutting impacts on the organisation and people, such as on the organisation efficiency, the response and adaptation capacity, motivation and working environment, among other aspects.

During 2021, we have worked on adapting the Lean programme to the new management carried out by Platforms.

Generation Platform

The Generation Platform is provided with local teams, assigned to the production centres, which work on a global vision of the platform, based on sharing knowledge and replicating initiatives.

Thus, in the EDP España premises there are Lean teams in the Aboño, Soto and hydraulic power plants, which are coordinated with the Portugal teams both technologically and cross-cuttingly, supported by the Operational Transformation Division of the Generation Platform and the Sustainability-Continuous Improvement team of DASIC-EDP España.

Some of the initiatives worked on during the year are:

- **Soto power plant:**
  - Video on safety matters for contractor companies
  - Installation of insulation in the water filter of the main cooling pumps of the combined cycles
  - Integration of the storage Excel table in GEMA
- **Aboño power plant:**
  - Re-use of Sines catalyst
  - Replacement of hydrazine with carbohydrazide
- **Hydraulic power plants:**
  - Implementation of a clean water deposit and collection in the hydraulic plant in Florida
  - Improvement in the cleaning system of the ecological flow grille in Olid
  - Automation of the valves starting the floodgates in Olid

Grid Platform

In the Grid Platform, the company has worked on the integration of Viesgo into the Lean programme, focusing on one single Lean coordination team structured in two groups: Grid Exploitation and Development, Customers and Digital transformation.

Some of the initiatives worked on during the year are:

- Incorporation of Viesgo's assets into the geolocation tools of E-Redes for the area of Mieres, Asturias
- Use of the new tools with BIM technology for the new substation projects
- Sending of SMS and notices on the website 'Mis Consumos'
- Robotised meter programming. Change of fees and powers
- New centralised protection philosophy for MT: SSC600

Customer Platform

Lastly, in the Customer Platform, the company has opted for the creation of a single Lean team, cross-cutting to the entire platform, instead of the teams segmented by type of customers that had been used up to now.

With this new approach, Lean is adapted to the new platform model based on four pillars – shared vision, joint participation by all the areas and departments, ability of the entire team to identify how to do more and better and 100% customer-focused.

Some of the initiatives worked on in 2021, a clear example of the new business strategy, digital and customer-focused, are the following:

- Data Drivers for B2B Sales – Machine Learning
- Solar: Golden Lead No Delay
- Digital B2B
- Implementation of Reports & Dashboards SalesForce in B2B Retail

- Mobility: georeferenced map of potential electrostations. This initiative has been supported by the Innovation area through the EU European Data Incubator programme.

Lean Office

Lean Office (DASIC-EDP España) has coordinated during the year different cross-cutting activities and initiatives, which are detailed, in a non-exhaustive way, below:

- **Let's Talk Lean** initiative: conferences in different locations for sharing experiences and best practices based on the improvement of operational efficiency. In 2021, the 'Practical RPA (Robot Process Automation) Application' sessions have been developed in EDP Produçao premises, '6 Sigma for operational excellence in services' has been organised by EDP Brasil and 'Automation of ecological flows' have been conducted by the hydraulic power plants team of EDP España.

- Lean training and awareness actions, aimed at all the employees and associates of EDP España, especially at Viesgo staff to get it involved in the programme.

- **#SomosLeanSomosEDP:** publication of fact sheets and contents about improvement tools that have been distributed to all the parties involved through the Lean SharePoint and on social media. These contents highlight different Lean tools and how they can be applied in the daily work of EDP España teams to pinpoint problems and work on solutions in a structured way, as well as to identify opportunities and implement them nimbly.

- **Lean O_2:** continuous improvement programme involving the participation of the trainees who, during 2020-2021, have taken their work placement at EDP España. Along with the pinpointing of problems and opportunities for improvement in their different work areas, analysed and escalated to the corresponding functional Lean teams, the company has worked under the Agile methodology in the Digital Grandchild challenge, an initiative that sought to validate business options that allowed to fight the digital divide in elderly people.

GREEN

Giving energy transition the right color.

03
— 2021 PERFORMANCE

3.1. Leading the energy transition

3.1.1. Clean generation

New hydraulic projects

Among the projects focused on meeting the objectives proposed in the 2021-2025 Strategic Plan, there are four hydroelectric generation projects using hydro-screws, with installations planned at the Pilotuerto and El Furacón reservoirs, the weir at the Soto de Ribera power plant and at the confluence of the Besaya and Saja rivers in Torrelavega (Cantabria), as well as two new hydroelectric power plants at the base of the dam, in Rioseco and Tanes.

8,200
TONS OF CO_{2EQ}/YEAR

These hydro-screws are designed according to the structure of an Archimedean screw. They consist of a hollow cylinder in the shape of a screw attached to an alternator that is located directly above the water at a suitable gradient. The rotational movement of the hydro-screw around itself, caused by the water current, is used to produce electrical energy. It is very robust equipment that adapts to high flow and low head waterfalls. This technology proposes a 100% renewable energy generation method, without causing significant environmental impacts. It does not require river bed diversions, only needing two small dams that convey the current to the screw.

The hydro-screw structure can be described as fish-friendly, i.e., it allows the fish to pass downstream without damaging them, which, together with the number of fish included in the El Furacón project ensures permeability for the fish fauna in the dams.

These installations have a total power of 4 MW, equivalent to the energy consumed by 5,500 households a year. Thanks to the adaptability of the screw structure, it can be adapted to the needs of the terrain where it is installed, such as five units in the case of the Soto de Ribera power plant, or as a counterpart to a single 30 metre screw at the El Furacón reservoir. This makes these new power plants the largest of their kind in the world.

Pilotuerto Project

The purpose of this project is the generation of hydroelectric power from the Narcea river's ecological flow at the La Florida hydroelectric power plant dam. This will involve the installation of two Archimedean screw type turbines.

According to the power envisaged in the design, estimated energy production in an average year will be more than 3,000 MWh, which would mean reducing greenhouse gas emissions by more than 1,600 tons of CO_{2eq} per year.

El Furacón Project

The purpose of this project is the construction of a hydroelectric power plant at the El Furacón dam on the Nalón river, which will make it possible to control and use the ecological flows, as well as using the installation of an Archimedean type screw.

The estimated energy production for this project in an average year would be around 4,500 MWh, which would mean reducing emissions by around 2,300 tons of CO_{2eq} per year.

Project at the weir of Soto de Ribera thermal power plant

This Project entails the installation of five Archimedean type screw turbines arranged in parallel at the weir currently situated at the Soto de Ribera power plant. In this case, the estimated energy production in an average year would be 8,500 MWh, which would be equivalent to a reduction in emissions of 4,300 tons of CO_{2eq} per year.

Hydroelectric power from the base of the dam at the Rioseco reservoir

The Tanes and Rioseco dams were built as a reservoir to supply water to the central area of Asturias and are used, respectively, as a dam and a counter dam for the Tanes pumped-storage hydroelectric power plant, owned by EDP España.

The purpose of the hydroelectric power generation project at the base of the Rioseco reservoir dam is to produce electricity by using the potential energy from the ecological flow of water that is returned to the river, as well as part of the flow released at the existing dam, through the construction of a new hydroelectric power plant.

As this generates power from the base of the dam at an existing reservoir, no negative factors are introduced to the river regime.

Hydroelectric power from the base of the dam at the Tanes reservoir

The project proposes the generation of hydroelectric power from the ecological flow at this dam, a resource that had not been used as clean energy until now.

3.1.2. Responsible consumption

Solar

Domestic self-consumption has experienced an outstanding growth over the last few years. An increasingly number of families are opting for this cheaper and cleaner technology thanks to the elimination of administrative barriers and the local incentives for these installations. EDP Solar exemplifies the EDP Group's commitment to sustainability.

EDP Solar proposes self-consumption energy solutions for individuals and companies that promote saving, sustainability, energy transition and decarbonisation. It offers a value proposal focused on the quality of the service, with individual commercial and technical support during the entire process of purchasing, licensing, installing and operating the photovoltaic plant.

Its aim is to increase the solar capacity retailed within the distributed energy area as one of the goals of the 2021-2025 Strategic Plan. For this purpose, important agreements have been reached with benchmark companies in the retail sphere to facilitate the individual customers' access to information and acquisition of top-efficiency energy solutions for the household.

Solar and SMEs

Along the line of bringing photovoltaic installations closer to small enterprises to improve their saving and sustainability, a partnership was established with Central Lechera Asturiana S.A.T. Under this agreement, photovoltaic solutions adapted to their needs were put at the disposal of 1,100 farmers. These installations contribute to maintaining sustainable family farms, involving 40% annual average savings. Furthermore, it will allow to reduce the emission of 3.7 tons of CO_{2eq}/year per standard installation.

A commitment to sustainability

The energy solutions offered by EDP Solar also covers large enterprises such as Orange and Cellnex. EDP Solar has commissioned between years 2020 and 2021 different photovoltaic installations in the premises of both telecommunications services and infrastructures companies.

Thus, in 2021, 41% of the planned photovoltaic installations have been executed, the remaining 59% being planned to be executed in 2022. As an estimation, both companies will increase their competitiveness thanks to 30% savings and, furthermore, it will make these installations more sustainable, avoiding the emission of 800 tons of CO_{2eq} per year.

Energy solutions that make individuals save

In order for the solar energy market to keep progressing, it is essential that these installations reach the household customer. CaixaBank and EDP exclusive agreement for the more than 5,000 offices of CaixaBank in España allows its customers to access photovoltaic solutions by means of financing packages with advantageous conditions. Thanks to these installations, CaixaBank customers can save up to 50% in their annual electricity consumption. The use of e-commerce platforms such as Wivai also allows to have the necessary software for the management of photovoltaic installations. Likewise, facilities are also offered, such as apps that allow to monitor production and consumption.

Solar Neighbourhood in Zaragoza

In a strategy to implement solar self-consumption as a core action to decarbonise consumption and support and promote low-carbon and energy-efficient products and services, and taking into account the territory land planning and urban development currently in force in the country, collective self-consumption is indispensable.

EDP, ECODES and the Zaragoza Town Council have signed an agreement to develop the first collective self-consumption installation in Spain that will allow the shared used of renewable and solidarity energy. Furthermore, the EDP Foundation and ECODES have signed an agreement in order to implement, through the Solidarity Energy programme, energy efficiency measures in the households of the vulnerable families that participate in this project.

This collective self-consumption installation brings an innovative energy distributed generation concept: the Solar Neighbourhood or the Solidarity Solar Community. This social innovation experience will be subsequently extended to other cities and town around Spain.

The first Solar Neighbourhood (Barrio Solar, in Spanish) project is in the Actur-Rey Fernando neighbourhood, in the city of Zaragoza, in which photovoltaic installations have been commissioned in the roof of the municipal sports centres Actur V and Siglo XXI, which offer the neighbours and the local businesses cheaper and renewable energy.

EDP has been in charge of installing the photovoltaic system, which comprises 240 solar panels. In each centre, the photovoltaic installation has 50 kWp, in addition to 100 kilowatts peak power, which will generate 150,000 kilowatts hour per year or, in other words, the energy necessary to drive a million kilometres in an electric car. Furthermore, since it is a 100% renewable energy, the neighbours and the business avoid the annual emission of 40,000 kg of CO_2, with a positive impact on the air quality equivalent to planting 3,000 new trees.

The beneficiaries of this collective self-consumption installation are the neighbours of the Actur-Rey Fernando neighbourhood, who will not need to make any kind of previous investment or installation in their homes, provided they are less than 500 metres from the municipal building where the panels are. The 200 dwellings and business involved in Solar Neighbourhood pay a monthly fee of €6 and benefit from an average saving of 30% in their electricity consumption.

Besides, the initiative has a significant social dimension, because the vulnerable families (10% of the total neighbours) within the scope of the project access the service exempted from the monthly fee. Therefore, it is a collective and also solidarity experience, since part of the energy generated by the Solar Neighbourhood is used to reduce the energy bills of these households with lower income.

Additionally, these vulnerable families may participate in other energy services thanks to the support of the EDP Foundation and ECODES, such as energy audits conducted in their homes, workshops about energy efficiency, energy billing and self-consumption and implementation of energy saving measures in their homes. The collaboration of the EDP Foundation also allows, in addition to the technical audits, the processing of energy certificates, technical inspections or the replacement of basic equipment (such as LED, radiators, boilers, etc.) and household appliances, among other actions. This way, the project contributes to improve the quality of life of the people in the areas in which EDP performs its activity, facilitating access to an affordable non-polluting energy as established by SDG 7 of the Sustainable Development Goals that United Nations has set within its 2030 Agenda.

This environmental and energy awareness, education and advice is available for all the neighbours in the area through the Solar Neighbourhood Office, and at the same time the proposal is open to all the associations, stores, bars and other business in the neighbourhood through the 3S Actur Network (Solar, Sustainable and Solidary Business Network), which will participate by self-consuming solar energy produced in the installations of the municipal centres. Plus, they will obtain a label to place on the door of their establishment to show their commitment to climate and their solidarity to their most vulnerable neighbours. Likewise, they will also appear on the website mibarriosolar.org, where they will also have a public profile.

B2B services

In the Customer Platform, EDP offers companies different projects to help to improve their competitiveness and their involvement in sustainability, in which the focus is on the customer, allowing them to actively participate in the transition towards clean energy and decarbonisation, making their own decisions about how they use energy. For this purpose, the products and services offered per segment and technology are detailed below:

- Building projects, developing projects related to fuel switching and preventive and corrective maintenance of boiler rooms .

- Standard projects, which offer customers a portfolio of packaged projects related to solar self-consumption, efficient lighting, energy audits, transformation centres, comprehensive maintenance services or value-added services that integrate corrective or optimisation works or capacitor banks.

- Customised projects, as ad hoc projects tailored to the specific needs of each customer.

In figures, in 2021, in the Building area, 17 fuel switching projects have been carried out, with an estimated 5,446 MWh saved by customers and 525 tons of CO_2 avoided; in the Customised category, 317 projects have been executed, including the sale of green energy and entailing 26,891 MWh saved by customers and 7,103 tons of CO_2 avoided; and in Customised, 99 projects, 13,126 MWh saved and 4,893 tons of CO_2 avoided.

This way, as it can be observed, from the Services area, EDP offers companies different projects to help to improve their competitiveness, by committing to energy efficiency and energy saving, a key aspect in a scenario marked by volatility and high prices, while it allows to reduce the emissions of a company, in line with its commitment to decarbonisation and sustainability in general.

Among the most outstanding self-consumption projects in year 2021, EDP has established partnerships with companies from different sectors, among which the following can be mentioned:

- Burger King reached in February of this year an agreement for the installation of photovoltaic panels in approximately 300 restaurants in Spain, opting for sustainability and energy saving. The photovoltaic panels will avoid the emission of 2,300 tons of CO_2 per year, a positive impact equivalent to planting 150,000 new trees.

- In the food industry, Grupo Sovena, Masymas and El Arco have also installed photovoltaic plants, which will entail, along with the corresponding energy saving, a reduction in emissions.

- In the wine sector, the company Aalto has installed a photovoltaic plant in its winery located in Valladolid, allowing up to a 25% reduction in its energy consumption.

- Grupo El Castillo has undertaken self-consumption projects in nine of its headquarters, with a generation potential over 700 MWh per year.

- DFM logística, De Heus, Exide or Klépierre, in their three shopping centres in the Region of Madrid, have also undertaken projects with EDP for the installation of photovoltaic plants in order to feed some of their facilities.

12.7 kt CO_{2eq}

AVOIDED

- The cement company Tudela Veguín, of the Masaveu Industria Group, has also installed a 3-MW photovoltaic plant on the roof of one of its warehouses in the cement factory in La Robla, which is, to this date, the highest-power installation of this type that EDP has built for its industrial customers.

In all these cases, these installations not only provide an advantage against their industry competitors thanks to the energy consumption saving, but they also allow a better energy management, offering a digital control of the installation to optimise its operation, industrial production and the reduction in CO_2 emissions.

Among the customised projects, we should mention Industrias Doy. In its coke factory in Trubia, a smoke treatment plant has been constructed and commissioned. It comprises a desulfurizing particle filtering system, and it also uses the gases of its process to obtain energy by means of a 3.9-MW electricity production installation, which does not use any additional fuel. This entails a clear commitment to circular economy, efficiency and sustainability.

Self-consumption solutions for SMEs: Solar parking and the market excess agency agreement

EDP intensifies its commitment to self-consumption in the SMEs segment with the launch of two new products: solar parking and the market excess agency agreement.

Solar parking is a traditional canopy that incorporates solar panels on its roof. They are modular constructions, which allows to adapt them to every need, and a solution for those customers that do not have a surface for traditional photovoltaic installations.

Solar parking, in addition to offer an extra solution for self-consumption, offers a sustainable and profitable alternative to protect vehicles from the sun and the rain in parking areas.

As for the market excess agency agreement, it gives the customer the option to sell in the market the excess energy from their solar installation. By virtue of this agreement, EDP represents the customer in the wholesale market, providing a solution to make the most of solar installations.

Both solar parking and the excess agency agreement are added to the turnkey management service provided by EDP to advise and guide its customers in the requests for photovoltaic projects.

Sustainable mobility

2021 ends as a year with very positive figures for EDP on sustainable mobility matters; about 710,000 kWh have been supplied through its more than 400 active charging points, which is a sufficient amount of energy to cover 4.7 million kilometres. More than 50,000 charges of electric cars have been recorded, which means a 66% more than in 2020. Thanks to this sustainable mobility proposal, the emission of 475 tons of CO_2 has been avoided.

In the EDP car charging points in public areas, drivers have charged 413,000 kWh in 2021. This is the energy required to cover 2,750,000 kilometres, which equates to go around the world 69 times.

The energy supplied progressed during the year, from 9,700 kWh in January to 52,200 kWh in December, with a peak of almost 63,000 kWh in August.

EDP also recorded very positive numbers in its 250 private charging points, which have added 300,000 kWh of charged energy, 39% more than in the same period in 2020. With this energy, 2,000,000 kilometres could be covered, at the same time that the emission of 200 tons of CO2 could be avoided.

The management of the EDP points is performed through the app EDP MOVE ON, which allows charging in more than 800 points throughout the country. With this application, users have control over their charging, have access to the map of charging points and can learn about other functionalities, the distance to each installation, their availability and the connector type.

Fostering the use of the electric car, guaranteeing users the charging of their cars in their trips and contributing to the improvement of the environment are some of EDP priorities, whose strategy involves providing the users of electric cars with the necessary infrastructure to charge their cars in their trips.

MiVē

EDP launched in December 2020 the first comprehensive electric mobility solution. MiVē is the electricity company's proposal to meet the needs of electric car drivers, who have at their disposal a car charging service at home and out of home and an assistance service.

The different features offered by MiVē can be selected through a web configurator, in which customers mark the ones they wish to incorporate to the service. According to the features selected, the platform specifies the monthly fee the service would cost.

Charging the vehicle at home is one of the prominent options of the service and is also the most economical for drivers. MiVē offers solutions both for single-family dwellings and for dwellings in residential buildings. The garage of the dwellings is where the vehicles are parked most of the time, so it is presented as the main charging point. Charging the electricity required to cover 100 kilometres can involve up to a 90% saving against combustion vehicles.

Customers can select the installation and maintenance of a charger, the connector (types 1 and 2) and the desired power (3.7 kW or 7.4 kW). EDP also takes care of the legalisation of the installation.

These chargers are designed with the regulatory electrical protections and incorporate a smart power control. Since they are connected to the meter of the dwelling, the system monitors and manages the demanded power, giving priority to the consumption in the dwelling. This involves significant economic savings, as the 4.7 kW contracted power, which is the most usual in an average dwelling, would be more than enough.

EDP also offers the possibility to instal charging points that had been acquired by the own drivers.

For charging vehicles on the public road, MiVē offers different vouchers according to the number of kilometres the drivers have planned to drive during the year. They may charge their cars in all the points integrated in the EDP Move On platform. The energy charged in these installations will come from 100% renewable sources.

As for the other features offered by the service, EDP offers a wide range of roadside assistance with a national insurance group.

With this innovative service, EDP takes a step further in its commitment to electric mobility, strengthening its strategy to put at the disposal of its customers the most innovative solutions tailored to each need.

MiVē offers solutions for single-family dwellings and for dwellings in residential buildings.

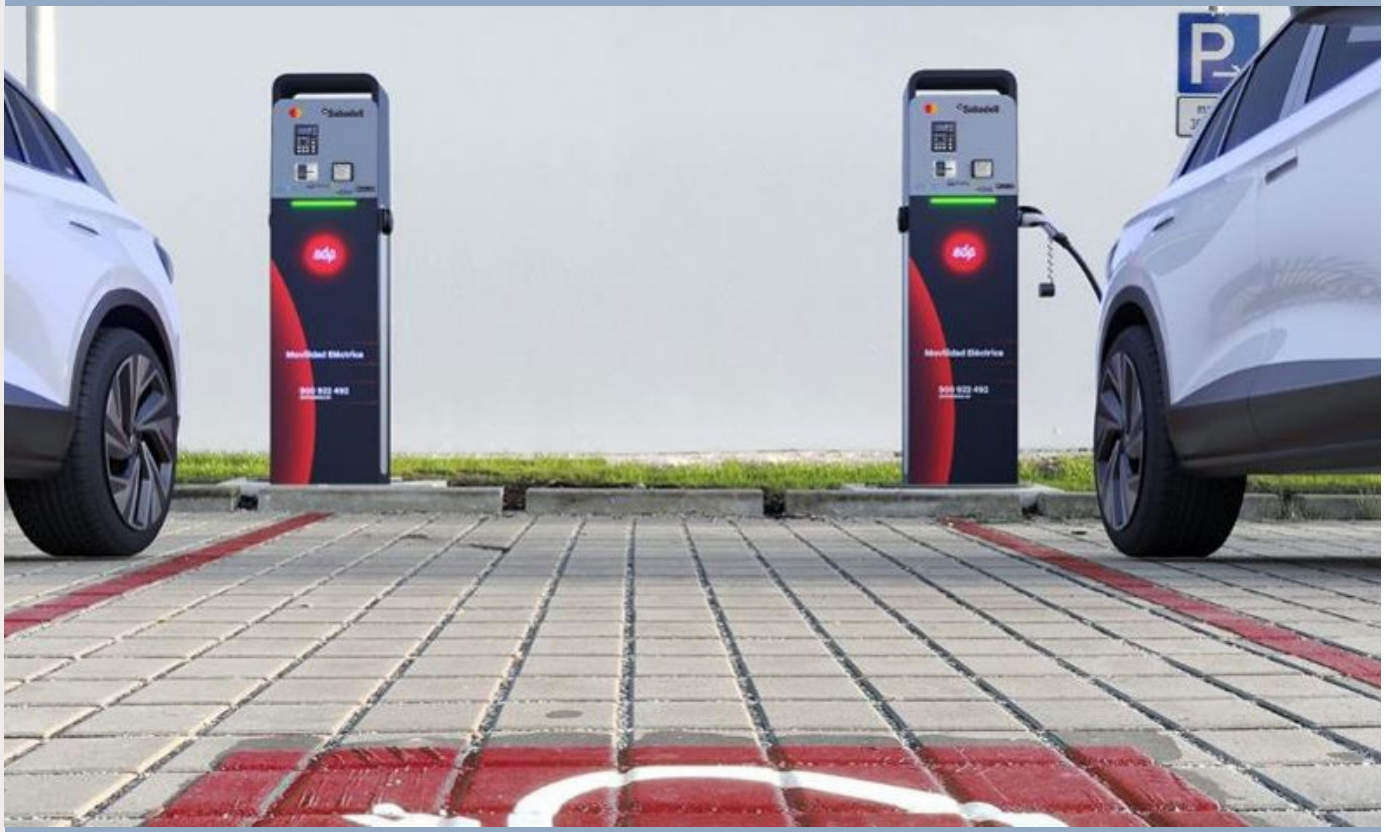
MiVē
Mi Vehículo Eléctrico

Mastercard, Banco Sabadell and EDP launch the first card payment project for electric car charging points

Mastercard, Banco Sabadell and EDP have launched a project to promote the use of electric cars by installing 1,000 charging points equipped out with EMV contactless technology for card payment or mobile payment. The first prototype of charging point enabled for this technology has been launched in Avilés (Asturias), in the framework of the 2nd European Congress of Ultra-fast Electric Vehicle Charging.

This payment technology allows to solve some of the challenges faced by electric car charging in public areas, such as the single user experience, the complexity of intermodality among operators and the absence of a standard payment method. It is estimated that, by year 2030, about 360,000 public charging points will be needed in Spain alone.

The first charging points operated by EDP will start to be implemented in Asturias and then, progressively, will be implemented throughout the country, with the aim of fostering the use of electric vehicles.



3.1.3. EDP Redes España

EDP Redes España, the electricity distribution company of the EDP Group created after the acquisition and integration of the Viesgo Group (Viesgo and BEGASA), stands out as the leading company in security and quality of supply, fruit of the investment mainly made in the digitisation of the grid to attain a truly smart grid and operational efficiency, structured through the Vega project.

Security and quality of supply are the key aspects vis-à-vis customers. The Installed Power Equivalent Interruption Time (TIEPI) of EDP Redes España in year 2021 maintains its leading position in the historical series, with 20.5 minutes, reflecting the high level of the quality of supply.

Additionally, the customer satisfaction level is measured according to the NPS (Net Promoter Score) index, which rates the customers' likelihood to recommend something on a scale from 0 to 10, the data of which are gathered through a simple survey. Applying the methodological standard of the NPS for the global customer service in 2021, the promoter percentage recorded, once the detractors have been discounted, reaches 16.8%.

The investment made during year 2021 surpassed 126 million euros, fruit of an ambitious medium-term strategic plan of the company, which has been allocated 787.2 million euros for the 2021-2025 period.

According to the strategic purpose of investments, these are divided into

- Electrification and decarbonisation: These are the investments in new grid capacity, including new customers/connections, new power lines, reinforcements and additional capacity of transformers.

- Resilience and environment: This includes the investments related to the improvement in the quality of the service and the environment. For example, new connections among lines, transformers and mobile substations and driver reinforcement.

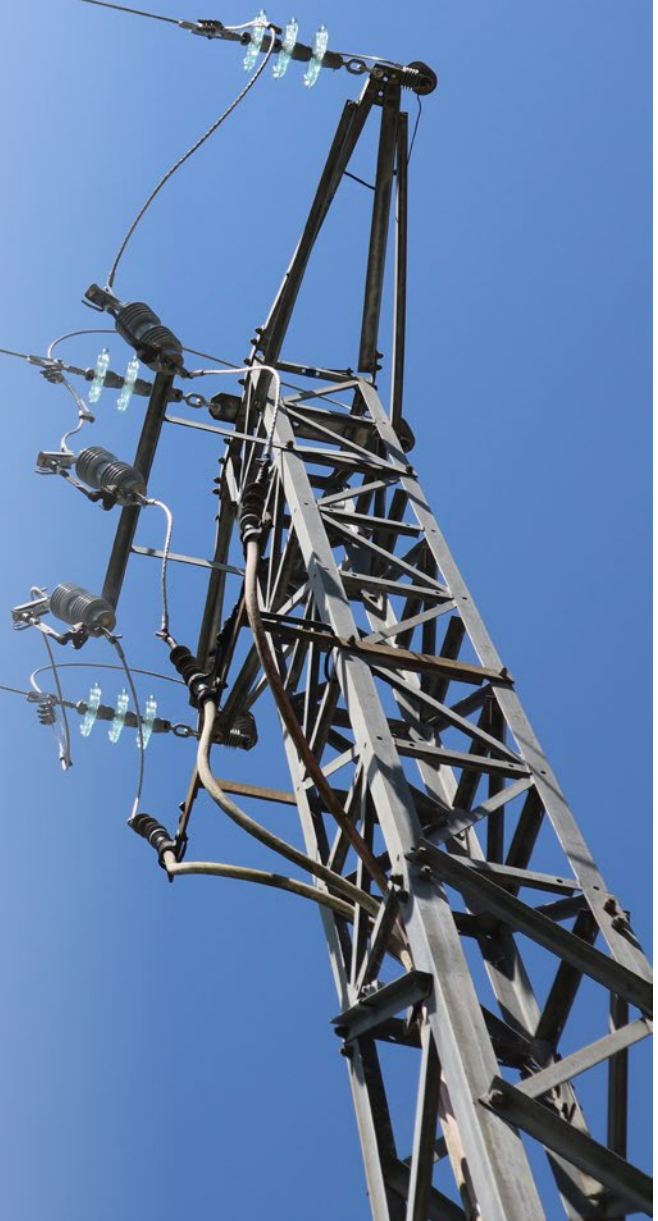
- Revamping: These are the investments in the renovation and revamping of assets, as well as in the replacement of obsolete assets (for example, assets that have reached the end of their useful life, obsolete technology or grid voltage harmonisation).

- Digital transformation: These are the investments made in:

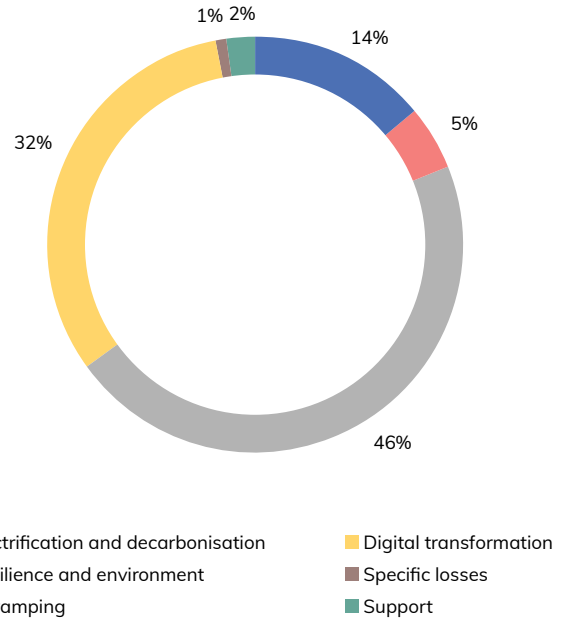
    - Automation of grids, communications and digitisation, specific automation and grid monitoring projects.
    - Systems.
    - Smart meters, including remote-control meter programmes, equipment and measuring systems.

- Specific losses: This category includes specific investments to reduce non-technical losses, such as measuring, investments in tele-measuring, investment in anti-theft wires, replacement of old or broken meters and other projects.

- Support: These are the investments related to the management of the installations and others, such as equipment, fleet, etc.



INVESTMENT CATEGORIES



The digitisation of new processes and smart equipment shows the level of intelligence achieved in the grid, with InovGrid as the main project.

Among the major events and new areas related to InovGrid in 2021, it is worth highlighting the implementation of remotely managed supply records, whose main advantage is the reduction of response times, without the need to go to the actual site of consumption. In the same field of remote operations, customers have the possibility of consulting instantaneous consumption levels on the Mi Consumo website.

In the area of digitisation and process automation, a new application, Contadores (Meters), has been created to facilitate the reading, checking and programming of smart meters when they are not accessible remotely. The application makes field work more flexible, simplifying operations and facilitating the management of available resources, while guaranteeing the reliability and security of the data for subsequent processing in the different systems.

A new platform for managing access and connection to distribution networks has also been included on the website to facilitate and standardise this type of management by renewable energy generators. The new platform has two main parts. The first is a map of available capacity in all our grid nodes so that promoters of this type of energy can easily and intuitively see where it is possible to connect their facilities. The second is a fully digital system in which to make requests and track the entire access and connection process.

We have continued with the Flash LV project for fast, accurate and real-time monitoring of the LV grid, which allows us to meet the challenges of efficiently electrifying the economy. With respect to data analysis, improvements have been achieved in both predicting and detecting faults in the distribution network and in reducing energy losses in the network and combating electricity fraud.

There will also be a massive deployment of Flash LV throughout 2022 in the Viesgo and BEGASA grids. Until now it was used on a residual basis, and it is planned to install more than 400 low voltage panels for advanced monitoring of transformer substations. This would mean about 10% of the transformer substations with advanced monitoring.

This way, with Flash BT, E-Redes is even better prepared for the transformation of the energy sector, mainly for the integration of self-consumption and electric vehicles. The company has checked that it is a system that allows the development of new grid management functionalities towards a horizon of flexibility and efficiency (integration of IoT sensors or sending of instructions to local markets, for example).

Energy storage pilot - EDP Redes España

In order to improve the quality of supply especially in rural areas, after setting in motion a first energy storage pilot in June 2020 in the municipality of San Vicente del Monte (Valdáliga, Cantabria), during 2021, a project with similar characteristics has been developed in A Fonsagrada (Lugo).

It is a lithium battery storage system and a converter. In the installation, the system monitors the quality of the energy supplied by the grid so that, in the event of a failure or a power cut, it sends an automatic warning to the control centre, which starts up the corresponding operation to rectify the incident. At the same time, the system automatically starts supplying energy to customers from the batteries, guaranteeing the continuity of supply until the main supply grid is restored.

EDP Redes España awarded prize by E.DSO for digitisation and active network management

The digitisation of the electricity grid is key to addressing the energy transition. For the EDP Group, it is a strategic pillar that contributes decisively to one of its main lines of action, making grids more intelligent and flexible. This commitment by the company has been recognised in the first series of the awards organised by the European association, E.DSO, which includes the continent's main distributors.

EDP's proposal won first prize in the Grid Operation category. The company presented its commitment to digitisation and active network management, called the ANM (Active Network Management) project, which consists of an integrated information ecosystem that uses the deployment of digital systems (ADMS, GIS, AMI and Flash BT) with the most advanced and innovative technologies to monitor and manage grid operation, with a special focus on low voltage.

CLICK HERE TO WATCH THE VIDEO

Finally, there is the Vega integration project, aimed at making EDP Redes España a leader in the electricity distribution business in Spain, and involving all the Distribution Business Divisions, as well as the Support areas.

In its first year in operation, the Vega project has entailed more than 200 employees in 180 initiatives, whose involvement has made it possible to exceed the efficiency targets.

Best practices have been identified and applied through the project, standardising procedures and establishing common criteria in the management of the EDP Group's electricity distribution business in Spain. One of the initiatives completed was the merging of the Call Centre and Back Office service to attend to all Business Cycle and Grid Access activities. To achieve this, the company has created a new operations platform in Oviedo, which employs more than 40 people. It also has support from other operational centres in Zaragoza and Seville to deal with occasional increases in the call centre service associated with grid incidents.

The four pillars of the Vega project

- MAXIMISING INVESTMENTS
- STRENGTHENING THE POSITION OF THE GROUP AS THE SUPPLIER WITH THE BEST QUALITY OF SUPPLY IN SPAIN
- CONSOLIDATING THE GROUP AS LEADER IN OPERATIONAL EXCELLENCE IN SPAIN
- LEADING THE DEVELOPMENT OF NEW SERVICES AND TECHNOLOGIES

Viesgo's integration into the EDP Group has been developed in a framework of respect for the people and the history of this company, compatible with the achievement of the goals that had been set. All this has been done while maintaining the companies in full operation, evidenced by the excellent quality of the service, and thus remaining a benchmark in the sector, and in the execution of the investment plan, which surpassed the threshold established in the business plan.

Two major challenges lie in for 2022: consolidating the efficiency plan initiated this year and increasing the investment plan even more, especially focused on digitisation projects.

Miguel Celso Mateos Valles
Grid Platform

3.1.4. Innovation and digital transformation

Business innovation

Achieving carbon neutrality by 2050 requires the energy transition to include the decarbonisation of electricity production, along with the electrification of consumption. To achieve this, it is necessary to induce changes in the way energy is consumed without impacting the economy. This challenge is compounded by the fact that this change will take place while the world's population continues to grow by around 30%. Innovation is therefore essential.

Reviewing the innovation system and operating model

The update to the EDP Group's strategy, in the form of the 2021-2025 Strategic Plan, established an ambitious growth plan that foresees an unprecedented acceleration in the adoption of renewable energies. Furthermore, the strategic update set the goal for the Group to become a 100% green company by 2030.

This is a major challenge that depends on a strong commitment to innovation, aimed at a substantial increase in the capacity to develop and rapidly adopt innovative solutions.

Recognising this urgency, EDP's most recent Strategic Plan has committed to investing €1 billion in innovation between now and 2025, doubling the resources allocated to this area and prioritising innovation opportunities.

The strategic update has therefore significantly strengthened the commitment to innovation in relation to the previous strategic plan. This reinforcement has naturally led to the need to rethink the Group's innovation strategy and operating model, in order to increase delivery capacity in terms of speed and impact.

The review of the model, which materialised in the Impact project, addressed opportunities for improvement in terms of sharing knowledge about innovation at the Group, also leveraging the potential for capturing synergies between projects and promoting an alignment of processes and best practices across different regions.

EDP's innovation operating model is based on a rapid adoption logic with a well-defined purpose of accelerating impactful new businesses and promoting the rapid adoption of innovative solutions to lead the energy transition. Based on this strategic alignment, the model favours three innovation paths (one internal and two external) that act in parallel and complement one another, fed by a cross-cutting sourcing process.

The pathways are:

INTERNAL PROJECTS
Implementation of an innovation portfolio internally developed through a process in a dosed financing logic, with a gradual risk reduction in the stages of the process and with the goal of creating businesses in the growth stage.

EXTERNAL INVESTMENTS
Making and managing capital risk investments in external opportunities/start-ups, with the aim of accelerating the adoption of innovative solutions and businesses.

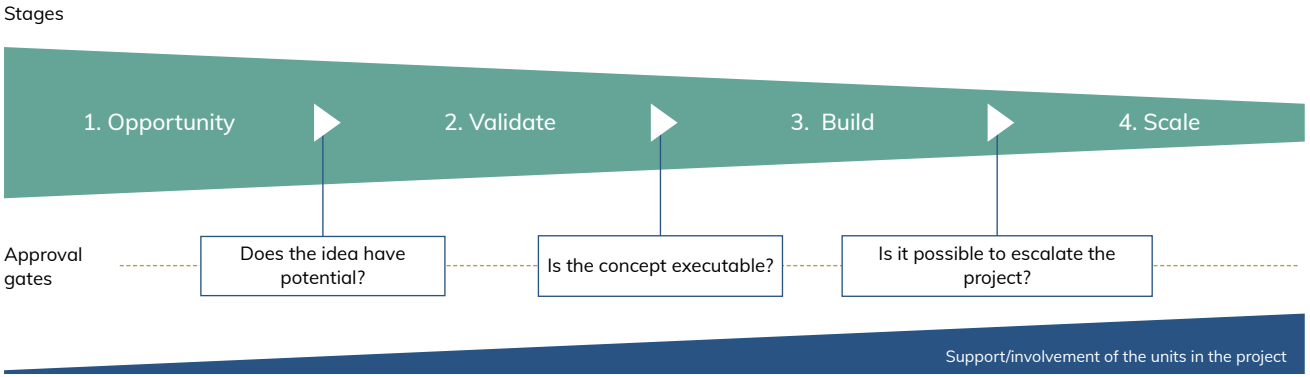
EXTERNAL COLLABORATIONS
Implementation of external collaborations (start-ups, companies, universities, etc.) to accelerate the adoption of innovative solutions and businesses.

Innovation is at the core of the energy transition and is an essential part of EDP's growth.

INNOVATION PATHWAYS

The review of the innovation system and operating model led to the internal innovation pathway being redefined and formalised, with the scope and value of the external investment pathway also being expanded, and the scope and ramifications of external partnerships being broadened.

The internal innovation pathway is supported by a pipeline model consisting of four stages, with inputs every two months. In each stage, characterised by well-defined objectives, the innovation opportunity (idea/project) is assessed, based on its merit, at approval gates. Approval gates are moments to decide on whether or not to move forward with the innovation opportunity to the next stage. The dynamics of the approval gates are supported by a meeting called Global Innovation Steering, in which elements from all business units and regions participate.



LThe four stages are Opportunity, Validate, Build and Scale. Each of the stages in the pipeline model requires the evolutionary preparation of the idea/project, which begins in the opportunity phase with a basic evaluation of the idea, and continues until its potential scaling. Scaling up allows the transfer, for example, to a Group business unit or even the creation of a stand-alone business.

The focus in each stage is on identifying the minimum investment required to remove the greatest risk/uncertainty from the opportunity. As risk is eliminated throughout the process, investment will also be higher.

A commercial pre-launch or scale-up pilot only takes place after ensuring that most of the uncertainties in the opportunity have already been validated and that the results make a higher level of investment easy to assume, both financially and in terms of time and human resources.

In each of the four stages of this internal innovation process, the leverage potential of the opportunity is assessed in parallel through the two remaining external innovation pathways; namely, through external investment, value creation supported by Ventures or external collaborations in order to create accelerators that promote, wherever possible, the rapid adoption of solutions that respond to the identified opportunities.

Thus, the separation of the value generation mechanism into three innovation pathways does not in any way invalidate the interconnection between them. Although the channelling model described is limited to the internal value generation pathway, every time an idea is given the 'green light', ways of acceleration are assessed to take advantage of that same opportunity. There is an effective and active search process to continuously create these synergies.

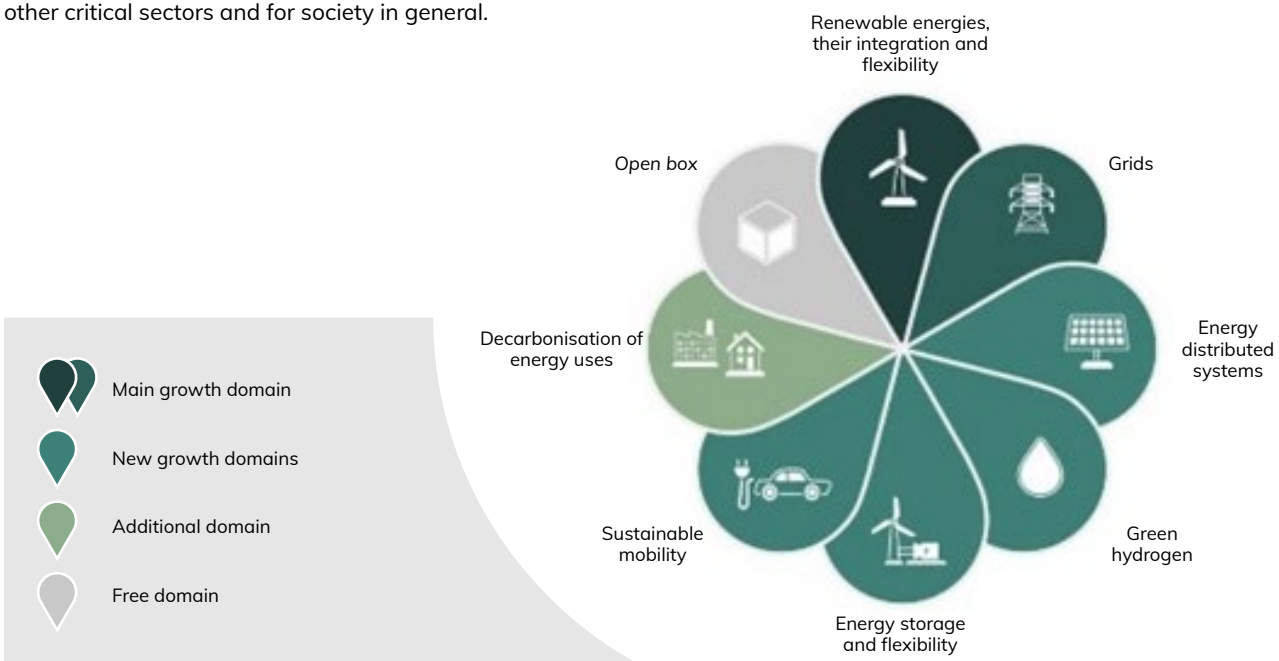
The Impact Project has also reshaped the internal relationship between the business units and innovation. The business units are actively involved in selecting highly uncertain innovation opportunities, through approval gates, and work closely with the innovation teams on projects and pilots. Although opportunities are managed by EDP Inovação, business unit participation is constant and with incremental allocation as opportunities are validated and any risk to business unit appropriation decreases.

Innovation has long been a traditional investment area for EDP. Incremental innovation is developed and managed by the various business units, with their own teams focused on continuously improving the competitive positioning of the businesses in the market. Incremental innovation represents 70% of the total investment in innovation and an important part of the resources globally allocated to innovation. The most disruptive innovation is managed by special innovation teams that are part of the global innovation platform. The relationship between the innovation teams in each business unit and the EDP Inovação teams is continuous and takes several forms: exploration and analysis of opportunities (regular sessions per area called Heads-Up Innovation), assessment of opportunities (through the Global Innovation Steering, where all business units are represented) and the preparation stage for project delivery to the business units.

The new innovation operating model began in 2021 and included a review of the innovation system and operating model to redefine and broaden the context in which innovation works.

Seven areas were identified in line with the business strategy at EDP, which is positioned in all stages of the energy industry supply chain, particularly in the main growth pillars (renewable energy, grids), new growth areas (distributed energy systems, green hydrogen, energy storage and flexibility and sustainable mobility) and major industry trends (decarbonisation).

An open box area was also envisaged, which aims to open up a space for a continuous effort to search for new solutions, and which can come from both inside and outside the energy industry, given its fundamental role for other critical sectors and for society in general.



The areas are broad innovation issues on which the different Business Units of EDP can work. The activities and projects of the technology-based innovation and R&D areas are thus structured in seven domains (7+1) of the energy transition:

- Renewable energies, their integration and flexibility to develop solutions that will help EDP reach its renewable energy installed capacity targets.
- Grids allowing the energy transition through smart grids. The countless sensors installed throughout their lines allow to instantly control the status of the entire grid, balance the load and prevent failures before they occur.
- Distributed energy systems supporting B2B and B2C customers in the development of their distributed generation solutions.
- Green hydrogen to support the energy transition in industries in which their activity predominantly depends on carbon-emitting solutions.
- Energy storage and flexibility, which test the new storage technologies and flexibility management.
- Sustainable mobility, which supports EDP customers in their transition to electric mobility and provides associated services.
- Decarbonisation of energy uses, which supports the decarbonising efforts of the EDP customers by developing new solutions and speeding up their adoption.
- The open box domain also appears as an additional domain that creates a space to develop ideas/projects that do not strictly fit in the other domains.

Context of innovation at EDP España

Three types of activities are carried out by EDP España in the different fields: Projects, Support for start-ups and Technology watch and reinforcement of EDP's position in Spain.

Projects

EDP España analysed and implemented 66 innovation projects in 2021, 14 of these being finalised or completed in the year. Moreover, 49 pilots with start-ups were analysed and implemented during the same period, 24 of them being finalised or concluded in the year.

In 2021, EDP España participated in the MAPRESTAS and H2 Metaindustry projects, which were two of the initiatives selected as part of the Asturias Science Missions 2021 programme. The main objective of MAPRESTAS was to acquire a strategic view of Critical Raw Materials (or Strategic Raw Materials, in EU terminology) for the Asturias economy and to make technological development proposals for the circular economy of these raw materials in the Principality.

The main objective of this H2 Metaindustry project was to create a regional structure to strengthen and position Asturias, based on its research network, as a leader in the field of renewable hydrogen. A technological roadmap was thereby established to establish a regional strategy to be followed in relation to hydrogen technologies.

Also in 2021, a proof of concept was created for the ZERO waste management optimisation tool, developed by the company TEIMAS. This is a specialised solution that combines a tool designed from the perspective of waste producers' needs, simplifying its management, and also ensuring regulatory updates at all times. This proof of concept was created at three of EDP España's waste-producing sites.

In 2021, EDP Solar, EDP España and the EDP Foundation, in cooperation with ECODES and the Zaragoza Town Council, commissioned the first solar neighbourhood in the capital of Aragon, in which photovoltaic power is produced on the roof of a public building from which a group of nearby residents can benefit. This project is special in that it pays particular attention to vulnerable customers who are part of the solar neighbourhood. The innovation project that gave rise to the solar neighbourhood came to a close in 2021, and the project subsequently became operational.

In 2021, as part of the climate change adaptation plan, a pilot project was carried out with the start-up DotGIS to model climate risks, and how these could affect electricity distribution infrastructure. This pilot project in particular modelled the risk of landslides in a certain area of Asturias.

Various map sources were used for this (digital terrain model, lithology, land use) with the final objective of having data in GIS format that can help to assess landslide risks when planning new power distribution lines, as well as to know the potential risks in lines currently in operation. A proof of concept was also created at the same time, using deep learning to automatically classify current satellite images in order to obtain a more updated situation of land use. Recent images from the Sentinel-2 satellite were used for this, obtaining very satisfactory results, and even managing to delimit land uses with a higher resolution than the official sources themselves.

Support to start-ups

EDP has a programme named Starter Business Acceleration for the identification, selection and testing of the solutions proposed by start-ups in the energy sector and which are aligned with our five technology priorities. It is an international programme which, in 2021, has assessed more than 700 applications from 78 countries, and which has selected 10 start-ups to carry out pilot projects with the EDP Group in Europe, Latina America and the United States. The Spanish ecosystem recognises Starter Business Acceleration as an avant-garde programme in the pursuit of solutions to lead the energy transition. All the series organised since 2017 have been enthusiastically received by all the agents of the ecosystem. The start-ups, the public agents supporting innovation and investment funds actively participate in the activities and, particularly in this 2021 series, Spain has been the country that contributed more applicants, ahead of countries with innovation hubs that are international benchmarks such as USA or Israel.

Three Spanish star-ups were shortlisted: Iomob, Full&Fast and Hovering Solutions. Iomob works on a MaaS (Mobility as a Service) software to support sustainable mobility, including from shared mobility services to micro-mobility in cities and traditional individual and collective transport means. Hovering Solutions works on the inspection of singular infrastructures by using unmanned autonomous drones. As for Full&Fast, it works on singular energy storage systems for exceptional situations such as mobile charging of electric cars or grid assistance in emergency situations.

The winning company of 2021 Starter Business Acceleration was Less, a Polish company that has developed different magnitude sensors for high-voltage overhead lines. EDP España and EDP Redes España are considering to carry out a pilot project with the Less sensors in the facilities of one of the Spanish distributors of the Group.

In 2021, we organised a new series of FreeElectrons, one of the global programmes through which EDP aims to connect with the best start-ups in the world in order to test and incorporate new technologies to the group. FreeElectrons is a collaborative programme in which 10 utilities of the energy sector from all over the world work together in a collaborative environment. In 2020, as a consequence of the COVID-19 pandemic, the programme started being taught in a digital format. Traditionally, the spirit of FreeElectrons had been shaped by a close contact among all the participants. For this reason, this change has multiplied the efforts of all participants to maintain such close contact. The multiple digital meetings in completely different time zones and the coordination of people from Europa, Australia, Japan, United States or Brazil is a challenging and exciting experience for all the participants. This year's winner was the Irish company KelTech IoT, with an IoT solution that can contribute very relevant added value to the communications and real estate infrastructures market, contributing to the development of more technological, connected, decarbonised and socially organised cities, combining electricity and fibre.

BIND 4.0 is a public-private open innovation platform for smart industry created by the Department of Economic Growth, Sustainability and Environment of the Basque Government through the SPRI Group. This initiative was born with the double objective of fostering the digital transformation of the industry and, at the same time, accelerating the consolidation of innovative

initiatives through a large company-start-up partnership model. EDP España is a partner of this initiative since 2019. In the latest series in 2021, we collaborated with the start-up Aplanet, a software for the digitisation of the ESG activity management and reporting. This digitisation allows us increased agility and efficiency in the internal processes, eliminating manual processes and automating the tasks of many members of the organisation that participate in the preparation of the report on the activities performed. Likewise, in this year's programme, we have already analysed the proposals of the more than 770 start-ups and technological SMEs (more than 650 international ones) which have submitted their application to collaborate with the corporations comprising BIND 4.0. Such analysis has resulted in the possibility to perform four proofs of concept for the Generation and Distribution Platforms, and for the corporate area of the Group.

Reach Incubator is a second-generation big data incubator, based on the successful efforts made by European Data Incubator (EDI) to accelerate data-driven innovation in Europe. EDP España already participated in EDI, in the first experience of this concept, in which it developed three pilot projects with the German start-up Contiamo, the Spanish SME CyC and the Portuguese start-up Grama. REACH Incubator is an Innovation Action funded by the European Commission which started in September 2020, and over three years, it will seek to boost innovation by connecting start-ups and SMEs with corporations. On this occasion, EDP España is managing the participation of EDP Group companies in the presentation of innovative challenges for the incubator REACH incubator to search in Europe the start-ups and SMEs with the technology and capacity to solve them.

During 2021, EDP España and the EDP Foundation have supported the Asturian start-up i4Life in the development of the i4Case project. The goal of this project is to find out whether there is any correlation between certain environmental magnitudes in dwellings (such as, for example, the CO_2 concentration) and the blood oxygen level measured by the i4Case device developed by the Asturian start-up. SEMERGEN (Spanish Society of Primary Care Doctors) collaborates in the project, having helped to select vulnerable patients whose blood oxygen levels have been used to study the potential correlations. EDP's interest in the project lies in exploring advanced home automation services that will allow to correlate environmental and comfort variables to measurements provided by health monitoring equipment.

In 2021, the GIAD project has been launched for the development of a management system for batteries and other distributed assets that may be used by EDP Solar for extending its value proposition. The Spanish start-ups Barbara IoT, one of the finalists selected by EDP España in 2019 EDP Starter Business Acceleration programme, and Plexigrid, an Asturian company which is the first investment of EDP Ventures España, participate in this project.

DP Ventures España investments

Thanks to many years of work on the concept of open innovation, the EDP group has established a community of innovation stakeholders that includes the Venture Capital activity. EDP's corporate Venture Capital fund, EDP Ventures, invests in early and growth stage start-ups working in the Group's preferred innovation areas. With no geographic restrictions, the aim is to detect the best opportunities in order to create strategic value for the Group. The Spanish ecosystem is a major focus for this activity, since investment in start-ups has grown substantially in recent years, showing extraordinary maturity, and competing with the main European hubs. According to ASCRI (Spanish Association of Capital, Growth and Investment) estimates, Venture Capital in Spain will surpass all historic highs in 2021, both in terms of volume (€1,942 M) and in the number of transactions (691). International Venture Capital once again registered record investment with €1,575 M. EDP Ventures España has made its first investment in this field in the Asturias start-up Plexigrid. The investment round is close to €2 M in a co-investment model with the international fund The Venture City, the Sociedad de Promoción Regional del Principado de Asturias and several other prestigious business angels. Plexigrid is a Spanish deep-tech start-up involved in optimising the operation of electricity grids, and supporting the energy transition towards more sustainable alternatives. Plexigrid's technology allows DSOs to view and act in real time on the grid, using advanced graphical representation and computation techniques and overcoming the challenge posed by working simultaneously with millions of nodes.

Technology watch and strengthening of EDP's position in Spain

EDP leads in Spain the Spanish Technology Platform for Energy Storage, BatteryPlat, which comprises more than ninety Spanish entities that seek to promote the development of these technologies. In 2021, BatteryPlat has prepared a technology capacity map for energy storage in Spain. Given the contribution of these works to the development of the Spanish energy storage strategy, the Ministry for the Ecological Transition and the Demographic Challenge included BatteryPlat in the launch of PERTE ERHA regarding Renewable Energies, Green hydrogen and Storage on 15 December 2021.

In 2021, EDP España has joined the Board of Trustees of the Technological Centre CTC of Cantabria, tightening the bond that Viesgo already had with such entity. The Technological Centre CTC was founded in year 2000 as a private non-profit foundation. Since 2008, it is recognised by the Ministry of Finance and Competitiveness as a technology centre and, since then, it is the only entity in Cantabria that holds this distinction that recognises those non-profit entities whose main goal is improving the competitiveness of companies by generating technology knowledge, carrying out R&D&I activities and developing their implementation.

EDP España renewed in 2020 its agreement with the Fundación Universidad de Oviedo, by virtue of which EDP España will financially support the students from the Mining, Energy and Materials Engineering schools in Oviedo and the Polytechnic Engineering College in Gijón who base their master's thesis on the topics proposed by EDP España. The company will propose at the beginning of the academic year the topics about which it is interested in supporting master's thesis and the maximum number of works it will support. EDP will select the applicants of its choice. The amount of the support for each applicant adds up to €2,000.

Digital transformation

CYBERSECURITY

Cybersecurity is key to guarantee business continuity in most companies and a legal responsibility when it comes to critical infrastructures or essential services, as is the case of EDP in Spain. Just thinking about the impact that the loss of control may have on the distribution operation, gives us an idea of the potential emerging problems. For these reasons, the company's commitment to safety is total and, where most companies base their actions on lessons learned to improve results, EDP has established working groups in which to execute action plans and improve strategies with which to stay ahead of cybercriminals.

Year 2021 has made us face great challenges due to the great advances in the sophistication and volume of cyber-attacks. In fact, the rate regarding many types of attack has quadrupled. Moreover, the COVID-19 pandemic has been used as bait and inducement to change the typical targets of attacks. Targets and how victims are attacked have changed radically, and this is not something that we have simply observed in our company or on a personal level, it is also something public administrations have perceived. For this reason, cybersecurity within national defence has taken on an absolutely leading role. This situation has triggered the creation of a new and demanding legislation to comply with at European level. Hence, we are obliged to collaborate closely with the coordinating bodies of each country.

Given the events over the past few years, EDP has reorganised itself, creating new security management teams and defining a new Cybersecurity Governance Model that strengthens the role of the Security and Cybersecurity Committee. All this with the aim of obtaining greater agility and ensuring the organisation's operations.

In addition, during the past year, we have witnessed an increase in the variety of cyber-attacks, in such a way that they have served to learn and mitigate present and future risks. We can highlight three trends:

1
Increase of points where the company is vulnerable to attacks at the IT level (telecommuting, IoT supply chains)

2
Ransomware

3
Threats to critical infrastructure through industrial control systems and the convergence of OT/IT cyber threats

There are several factors that have led to the increase of cyber-attacks. These include digital transformation and the new business model that entails more people doing business online. We have entered the early stages of the Fourth Industrial Revolution, which is marked by digital interactions and the ever-closer dependence between computers and the human being.

Our lifestyle is getting increasingly based on online operations and our company is an example of this with more than 40% of telecommuting time for most employees.

The proliferation of equipment connected to the internet and the future 5G with IoT equipment (internet of things; they are low-capacity devices with limited security measures) have exponentially multiplied the vulnerable points from which to attack people and companies. We are not only talking about the possibility of obtaining personal data from users, but also about the ability to falsify the measurements of industrial sensors in such a way that they can affect the management of the operation. This leads us to work on reviewing our equipment and increasing security measures, an issue that is not easy at all. The risk of these devices does not lie only in a company's IT asset, but also in the fact that a cybercriminal could connect within our network and cause very serious problems.

Likewise, the strategies of cybercriminals have changed with the aim to start attacking companies with a lower capacity to invest in cybersecurity, such as SMEs that work for large corporations. That is, if a cybercriminal wants to attack us, it may not do it directly against us, but it could attack a subcontractor and use it to enter our network. This circumstance is so clear and frequent for the administrations that the EU has transposed the NIS2 Act to focus on the surveillance of the supply chain and suppliers of companies, not only at a material level, but above all at the level of computer services. For this reason, EDP has focused on a comprehensive cybersecurity strategy where the controls and measures are applicable both to the company's own services and people, and which can be extended and complied with throughout the subcontracting chain.

Certainly, there are many other trends and threats to the cybersecurity ecosystem. Therefore, it is very important to convey the message that this entire environment is being analysed with continuous improvement processes and improved to ensure that the governance models, policies, procedures, and technological elements are adequate to face present and future challenges. In this sense, all personnel are encouraged to collaborate by reporting every matter that can be identified as a possible threat.

DIGITAL TOOLS

During 2021, the results of the previous year have been consolidated, specifically stating that the use of collaborative tools was essential for the successful adoption of telecommuting by EDP staff.

This year, on the occasion of the integration of Viesgo into the EDP perimeter, the use of digital tools has continued to be promoted, now not only to face the challenge of telecommuting, but also with the aim to collaborate and share information between staff of different geographically separated groups, allowing users to be productive from the first day of the integration process, and maintaining this collaboration model until finally completing the integration of all of them into the EDP systems by the end of the year.

In turn, the proper use of the classification of documentation based on its content has also been promoted, incorporating specific points in this regard into the agenda of the different workshops given on collaborative tools, in addition to disseminating and making available to users explanatory pills with examples of its correct use. This has helped to improve the efficiency in information management while ensuring compliance with legal obligations regarding data protection.

With regard to metrics on the adoption of collaborative tools, they have been slightly increased compared to the previous year (+1 point). The updated values of the Office 365 FMA (Final Measure of Adoption) indicator are as follows:

EDP ESPAÑA	DEC 2021
Outlook	98.2%
OneDrive	82.4%
SharePoint	82.8%
Teams	81.2%
Final adopted measure	**86.2%**

DIGITISATION

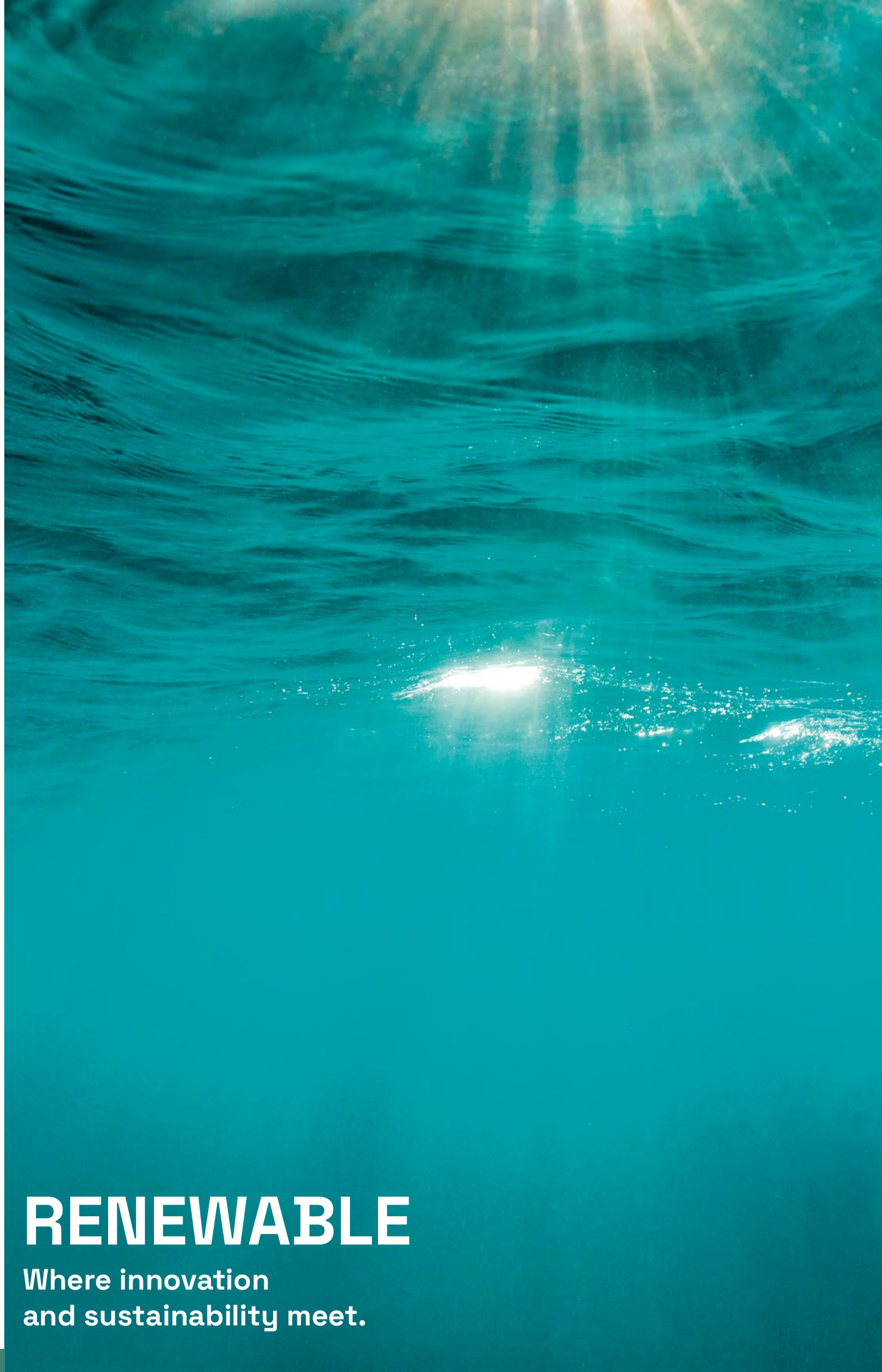
During 2021, significant actions that improve the digital capacities of the different EDP business areas have been carried out.

Over the last year, the different business channels of EDP España have consolidate the digitisation of the sales cycle, opting to strengthen customer interactions without requiring physical presence. These activities, accelerated in the last year due to the pandemic, have been adjusted and upgraded in order to secure them and contribute to the improvement in the results of the Group. For this purpose, the company has developed initiatives such as opening communication channels on social media, digitising the information shared that formerly required direct contact with customers, using co-browsing tools, or developing applications for mobile devices. The new digital social reality demands a change in the relationship model, which EDP is speedily addressing.

In the grids sphere, the digital relationship with customers and potential users of the electricity distribution grids have been significantly boosted thanks to the improvement in grid access and connection management solutions, both as regards obtaining information about access capacities and regarding the procedures for access and connection applications. All this will allow the owners of renewable production installations to carry out more easily the procedures for connecting their installations, encouraging energy transition.

Besides, due to Viesgo joining the EDP Group, a transformation programme has been started aimed at integrating the systems and applications of the different companies that are part of the electricity distribution business. In 2021, the organisation executed the design of the future technology architecture, prepared the project plan necessary for the integration of the different systems and started the implementation plan by launching the first projects.

Lastly, it should be also highlighted the rise of EDP España in the Digital Maturity Index, annually rated by IDC and the Universidad Católica de Lisboa, which in year 2021 has risen up to 4.13 with respect to 4.01 in the last year, consolidating EDP España as a Digital Transformer. There is no doubt that the continued increase in this indicator over the last years reflects the effort EDP is making to improve its digital capacities.



RENEWABLE

Where innovation and sustainability meet.

3.1.5. Just transition

Next Generation EU

On 21 July 2020, the European Council resolved to create an exceptional recovery instrument called Next Generation EU that authorises the European Commission to issue up to 750,000 million euros in debt on behalf of the European Union, which represents a coordinated and solidarity response to a serious economic crisis such as the one caused by the COVID-19 pandemic.

Next Generation EU is made up of two main elements:

- **Mechanism for Recovery and Resilience (MRR)**

  It constitutes the core of the recovery fund and it is funded with 723,800 million euros, out of which 338,000 million will be non-refundable transfers. Its purpose is to support investments and reforms in the member States to attain a sustainable and resilient recovery. The Regulation (EU) 2021/241, governing the MRR, came into force on 19 February 2021.

- **REACT-EU**

  It is an instrument to support recovery for European cohesion and territories. It is funded with 50,600 million euros and its execution is more flexible and agile.

> From Regulation, we contribute all of our sectoral and regulatory expertise in order to attain EDP's ambitious goals as regards its contribution to decarbonisation and electrification of the economy.
>
> **Santiago Bordiu Cienfuegos-Jovellanos**
> Regulation

This recovery fund has a limited duration and is in addition to the traditional resources provided in the cohesion policy. The payment of these amounts will be done throughout 6 years, until the end of 2026.

The MRR distribution criteria guarantees a higher financial support to those member States whose economic and social situation has deteriorated the most as a consequence of the pandemic and the restriction measures on the economic activity required to fight COVID-19.

Allocation for Spain

Spain will receive a total of 144,000 million euros, out of which 69,528 million will be non-refundable, and it could access more than 70,000 million euros in loans, which can be potentially mobilised until 2026.

Additionally, the allocation of the REACT-EU funds to Spain is above 12,400 million euros, most of which have been already allocated to the autonomous regions, which are the main parties in charge of their execution.

To these figures, we must add the structural funds, FEDER and European Social Fund + envisaged by the 2021-2027 multiannual financial framework, as well as the rest of the Community programmes such as Horizon Europe.

Recovery, Transformation and Resilience Plan (PRTR)

With the aim of distributing the European funds received, the Spanish government has drawn up a Recovery, Transformation and Resilience Plan (PRTR) based on four cross-cutting areas: ecological transition, digital transformation, regional and social cohesion, and gender equality.

The objective of the PRTR is to accelerate economic and social recovery after the COVID-19 crisis and to achieve increased growth capacity in the medium and long term. Along with investment, a series of structural reforms are therefore planned in order to create the right conditions for these funds to have the greatest possible impact. It was presented on 30 April 2021 and was approved on 13 July 2021.

The plan consists of four cross-cutting areas, which are structured around ten policy levers that do in turn include 30 components or areas of action, being of both a regulatory nature and to promote investment.

Each component will explicitly contribute to the general aims of the plan and the four cross-cutting areas. Furthermore, each component will focus on a specific challenge or objective, and includes reforms and investment that contribute to achieving these objectives or overcoming the challenges. Intermediate goals and milestones, expected results, the number of beneficiaries, as well as the detailed cost of each element have been identified for all of them.

Strategic Projects for Economic Recovery and Transformation (PERTE)

The PERTEs are strategic projects with a great capacity to boost economic growth, employment and the competitiveness of the Spanish economy, with a high degree of public-private collaboration and being of a cross-cutting nature with respect to the different public authorities.

They are a new item conceived by the Spanish Government as a mechanism to promote and coordinate high-priority projects that are especially complex or where there is a clear market failure, major externalities or insufficient initiative or investment capacity in the private sector. Their aim is to contribute to agile, efficient management of funds and to reinforce those projects that clearly contribute to the transformation of the economy.

Renewable energy, renewable hydrogen and storage PERTE

The transition to a carbon neutral economy is an opportunity in environmental, social and economic terms and, among other advantages, it also makes it possible to reduce foreign energy dependence. With this Strategic Project for Economic Recovery and Transformation (PERTE), the Spanish government aims to support areas associated with the energy transition in which Spain is well positioned, such as renewable energy, power electronics, storage or renewable hydrogen, as well as strengthening those with less presence.

This PERTE was approved by the Council of Ministers on 14 December 2021.

The following actions are being implemented to achieve it:

- 25 transformative measures aimed at the development of technology, industrial capabilities, new business models and their implementation in the country's productive fabric.

- 17 accompanying measures to promote implementation of the PERTE, such as training and capacity building to enable industries to adapt to new technologies and take advantage of job creation opportunities.

PERTE for the development of electric and connected vehicles

The first PERTE approved has been the PERTE for the development of electric and connected vehicles, focused on strengthening the supply chain of the Spanish automotive industry. The aim is to turn Spain into the European Hub for electric mobility.

PERTE will be made up of two complementary areas of action:

1. Transformational measures to boost the electric and connected vehicle supply chain (vehicle manufacturing).

2. Facilitating measures that contribute to both the creation of a new mobility and to the development of electric vehicles.

Transformational measures include comprehensive actions in the electric vehicle supply chain, a sustainable automotive technology plan, a programme for industrial data spaces and a programme to integrate artificial intelligence in production processes.

As for facilitating measures, these include the Moves III Plan, Singular Moves, the Climate Change Law, the regulation of electric vehicle charging services, the 5G roadmap and its deployment, and a professional training plan.

Participation of the EDP Group

The PERTE was coordinated in parallel to several public consultations, in which the EDP Group participated with various expressions of interest in carrying out projects to contribute to economic and sustainable recovery, being focused on the areas of renewables, including green hydrogen production, storage and networks, most of which would be carried out in areas of coal-fired power stations following just transition principles.

The CEO of EDP España, Rui Teixeira, spoke in the Senate on 8 March 2021 as part of a study paper on the challenges faced by a sustainable energy transition, created within the Senate's Ecological Transition Commission. In his speech, he outlined EDP's plans for using the Next Generation EU funds.

CLICK HERE TO WATCH THE VIDEO

CLICK HERE TO GO TO WEBSITE

The detailed plans for EDP throughout 2021 have been the following:

ASTURIAS

The potential project portfolio could develop projects worth 470 million euros, mainly in its sites in Soto de Ribera and Aboño, as well as in the first floating wind farm in Spain.

Soto de Ribera, the green battery in Asturias

In view of the near closure and partial decommissioning of the thermal power plant in Soto de Ribera, a project has been initiated to transform this site into the benchmark centre for renewable energy storage and new uses of green hydrogen.

As regards renewable generation, along with the planned mini-hydraulic plant with hydro-screws, a photovoltaic park will be set up in the land of the site.

The renewable energy generated by both sites would be fed into the grid to meet the demand and it would allow to store green hydrogen, while the surplus would be stored in two types of batteries: lithium ions and a combination of redox batteries and second-life batteries. Furthermore, EDP is working on diverse liquid air storage projects to generate electricity.

As for the new uses of green hydrogen, the company is considering different projects. It plans to build a hydrogenator (hydrogen station), aimed at contributing to the decarbonisation of passenger and freight transport, promoting the decarbonisation of the industries of the surrounding areas and conducting tests in combined cycles in a scenario that would facilitate to replace the natural gas that is currently used with green hydrogen.

Aboño, valley of green hydrogen

EDP is considering to transform the site of the thermal power plant in Aboño into the Asturian valley of green hydrogen. Its privileged geographical location and the proximity to large energy consumers would guarantee the production and supply to the Asturian industry of the electricity and green hydrogen required for their manufacturing processes.

The installation envisages the commissioning of a photovoltaic park in the current facilities, which, in addition to the floating wind farm projected in the Asturian coast, would allow the necessary green hydrogen production and storage in Aboño.

This green hydrogen could also replace fossil fuels that are currently used as support in the energy recovery of steel waste gases, which is waste that would be otherwise burnt in a torch and would be directly emitted into the atmosphere. Thanks to green hydrogen, this circular economy and energy recovery condition would be maintained.

ANDALUSIA

The projects planned in this autonomous region are focused on green hydrogen, renewable energies and storage, and they will allow the rationalisation of the sites of the thermal power plants in Puente Nuevo and Los Barrios.

It is estimated that more than 4,500 jobs will be created during the construction, more than 300 direct jobs and more than 2,200 indirect ones. The budget would amount to 1,000 million euros

Puente Nuevo plant: Córdoba's green energy

In the coal power plant in Puente Nuevo, several renewable projects and an industrial project to revitalise industrial activity in the region are being considered.

Thus, it is planned to implement various photovoltaic energy plans in the surroundings with a total power of 300 MW. The project also includes the installation of an additional 50-MW floating photovoltaic park in the dam. In order to preserve this site, other projects will be added, such as a collaboration for the production of copper and a biomass plant which will revitalise the area.

Los Barrios plant: the hydrogen valley of the Algeciras Bay

The coal power plant in Los Barrios is a potential site for the development of hydrogen projects, the rationalisation of which would allow to supply green energy and hydrogen to all the industrial surrounding areas in Campo de Gibraltar and the potential export by sea. Furthermore, it envisages an energy storage project with 255-MW lithium-ion batteries.

These four projects, which need public-private collaboration, are a chance for a future for the four sites in the process of rationalisation.

In all cases, the projects have a major impact on their surroundings as regards their potential for the creation of wealth, employment and population settlement in the municipalities, at the same time that, from a just transition point of view, they have a supporting social project portfolio that boosts these aspects.

This social project portfolio puts the focus on specific aspects of each territory, which have been identified in the studies on the perception of local communities conducted in 2019 and 2021. This way, they focus on the employability of vulnerable groups, such as long-term unemployed workers or youth unemployment, employability of women and equality matters, environmental improvement, territorial equity and engagement in the social life of municipalities.

The extraordinary climate of energy markets – featuring energy, fuel and CO_2 prices way above the forecasts, a very scarce hydraulic production due to drought, and an increase in the electricity demand as a consequence of the economic recovery – has brought about an increase in thermal generation in 2021.

In this scenario, EDP España has a unique project for the transformation of all its thermal power plants and thus make just transition a reality in the society in which EDP performs its activity. The just transition projects of EDP España seek to transform its sites into hydrogen production centres or large energy storage centres in order to enable the transition of the electricity sector towards a system based on renewable energies and focused on the decarbonisation of the economy. In this aspect, the relationship with local and regional administrations, as well as with private entities in the areas in which our centres are located, has been very close.

The pandemic has shown the capacity of the people and the organisation to adjust to safe onsite working and teleworking conditions where it has been possible, keeping the availability of the power plants at maximum levels.

Pablo Argüelles Tuñón
Generation Platform

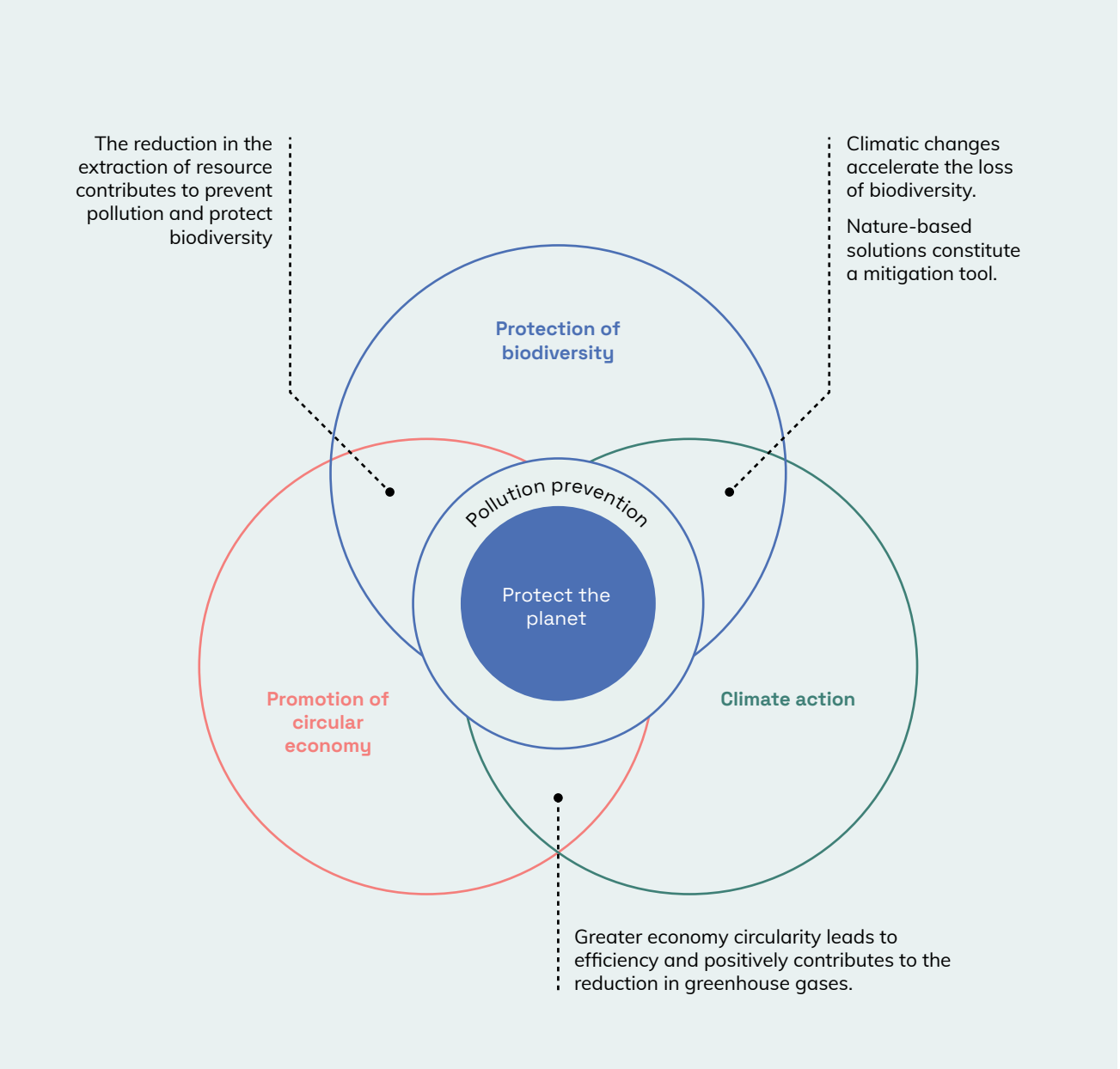
3.2. Commitment to the environment

Committed to the protection of the environment

As stated in the own description of the Environmental Policy of the Group, in its revised version of February 2021, 'EDP views the Environment as a strategic management element, with the aim of reducing the impact and dependences of its activity through a set of commitments that ensure the implementation and maintenance of appropriate and effective environmental management systems, with the final goal of sustainable development.'

EDP España, as a company of the EDP Group, fully shares such management strategy, implementing the Environmental Policy in the activities of its business platforms in Spain and developing the plans required for its effective implementation.

Environmental management is structured around the three major strategies established by the EDP Group in its 2030 vision: climate change, circular economy and biodiversity protection.



By promoting an efficient use of natural resources in its activities from a life cycle analysis, circular economy allows to prevent pollution and to protect biodiversity, since it positively contributes to the reduction in greenhouse gases, mitigating the climate change effects, which accelerate the loss of biodiversity.

The environment function is based on the general framework established by ISO 14001 standards as a reference to address pollution prevention in a systematic way and thus manage to:

- Protect the environment using prevention
- Mitigate direct and indirect environmental impacts
- Meet the laws
- Communicate environmental information to the parties concerned
- Improve the environmental performance according to the set environmental targets

100%

ISO 14001 CERTIFIED ASSETS

The DASIC (Environment, Sustainability, Innovation and Climate Change Division) is responsible for the environmental strategy, the implementation of the policy and the certified environmental management system. Additionally, each platform has environmental coordinators that collaborate with the DASIC in their daily activity and formally through regular task forces.

According to this management system, all the environmental aspects of the business platforms in Spain are unequivocally assessed and managed, and in line with the transparency commitment, they are published in the corresponding performance reports in the publications section of EDP corporate website, as regards the environmental performance of the Generation and Customer Platforms, as well as the latest report of the Grid Platform published on the website of the distributor E-Redes.

CLICK HERE TO GO TO WEBSITE

CLICK HERE TO GO TO WEBSITE

New Environmental Policy of the EDP Group, February 2021

Responsibilities:

- To protect the environment and its components.
- To properly manage environmental risks.
- To promote the continuous improvement in processes, practices and environmental performance.
- To meet the applicable environmental laws.
- To take into consideration the relevant expectations of the main stakeholders.
- To extend the management and improvement of environmental performance to the value chain.
- To communicate environmental performance on a regular basis and with transparency.
- To train and raise awareness about the need to improve environmental performance.
- To take all these commitments into account in decision-making processes and in due diligence processes related to mergers and acquisitions.

Likewise, and based on the strategic priorities of the EDP Group, EDP España S.A.U. has also assumed the specific commitments defined in the Environmental Policy, aimed at protecting the environment and enhancing natural capital:

- Climate change: to reach carbon neutrality and promote the adaptation to climate change, maximising the resilience of its assets.
- Circular economy: to promote the efficient use of natural resources in its activity, wherever possible, from a life cycle analysis approach.
- Water: to pay special attention to water as a resource, promoting its sustainable management.
- Biodiversity: to contribute to reduce the loss of biodiversity and to deepen scientifical knowledge of biodiversity and the ecosystem services.

Additionally, the Board of Directors of EDP España has supplemented some aspects, according to the laws and commitments assumed on a local level:

- Public commitments assumed on climate change matters, both through the Environmental Policy and other international initiatives (e.g., SBTi, Business Ambition for 1.5 °C), are considered very relevant in strategic terms in the current context of energy transition and ESG position of the Group.
- In actions derived from the handling of hazardous substances, events of soil and underground water pollution resulted from accidental spillages upon their storage or handling (chemical products, fuels, oils, waste, etc.) can be identified. For their management, there are preventive measures (physical and procedural), monitoring and control measures, and recovery measures, all of which are in accordance with the applicable legal framework and the current Environmental Policy of the Group.
- Noise and its potential impact on the areas surrounding the facilities is one of the main environmental aspects. In order to manage it, effective measures are implemented, ranging from the control at the source and the transmission channels, to the implementation of protective measures in the recipient. There are thus effective protection measures and risk management for its management in the framework of the current Environmental Policy, ensuring, in turn, local regulatory compliance.
- Other aspects to be considered with a view to complete global environmental management are atmospheric emissions, diffuse emissions, dumping, waste (hazardous and non-hazardous), by-products, consumption of resources and energy, light pollution and electromagnetic fields, and biodiversity aspects, as well as the physical risks derived from emergency and/or disaster situations. All of them are considered duly managed in the current environmental management framework, based on the environmental policy principles of protection, risk management, continuous improvement and legal compliance.

POLÍTICA MEDIOAMBIENTAL

3.2.1. Promotion of circular economy

European Union action plan for the circular economy

In December 2015, the European Commission adopted a package of measures to drive Europe's transition to a circular economy, where resources are used more sustainably. The proposed actions sought to 'close the loop' of product life cycles through increased recycling and reuse, bringing benefits to both the environment and the economy. In March 2019, the Commission published the implementation status of its action plan, 54 measures that it considered fully compliant as all actions were either implemented or being implemented.

Due to this, and as part of the commitments made in the European Green Deal or European Green Pact, the Commission published a new EU action plan for the circular economy in March 2020. This plan contains initiatives across the entire product life cycle to modernise and transform the European economy while also protecting the environment.

One of the actions in this plan was the creation of a Global Alliance on Circular Economy and Resource Efficiency (GACERE). This alliance was formed in February 2021, bringing together governments and the relevant networks and organisations to give global impetus to initiatives related to circular economy transition, resource efficiency, and sustainable consumption and production.

During 2021, the proposed review of the Ecodesign Directive was subject to public consultation to include additional requirements for more durable, reusable, repairable, recyclable and energy-efficient products. It will also regulate the presence of harmful chemicals in various product categories, such as electronic and ICT equipment, textiles, furniture, steel, cement and chemicals. It is expected to be adopted in the first quarter of 2022.

Spanish Circular Economy Strategy

At national level, the government approved the Spanish Circular Economy Strategy in June 2020, 'España Circular 2030', which lays the foundations for overcoming the linear economy and moving towards a new model of production and consumption in which the value of products, materials and resources is maintained in the economy for as long as possible; in which waste generation is minimised and maximum use is made of waste whose generation cannot be avoided. Targets are set for this decade that will make it possible, among other things, to reduce national consumption of materials by 30%, improve water efficiency by 10% and cut waste generation by 15% compared to 2010.

In May 2021, the First Circular Economy Action Plan 2021-2023 was approved for the implementation of this strategy, with a budget of 1,529 million euros and 116 measures coordinated around eight areas of action: production, consumption, waste management, secondary raw materials and water reuse. This was in addition to areas of a cross-cutting nature, awareness and participation actions, research, innovation and competitiveness, and employment and training.

Waste and Contaminated Soil Law

The current Waste Law, which dates back to 2011, was subject to review in 2021. The aim is to include the new guidelines and the new waste objectives of the European Directives that make up the Circular Economy package, as well as the Single-Use Plastics Directive. Two tax items were in addition included for the first time in an industry law: the tax on non-reusable plastic packaging and the tax on dumping, incineration and co-incineration, with the aim of moving towards reuse and recycling.

On 23 December, the Plenary Session of the Lower Parliamentary House approved this Bill on Waste and Contaminated Soils for a Circular Economy. The initiative has been sent to the Upper Parliamentary House to continue with the parliamentary procedures.

Technical Committee for Circular Economy Standardisation

In parallel with the implementation of its Strategic Plan, the European Commission entrusted standardisation bodies to develop standards related to the useful life of products, the reusability of their components, the recyclability of their materials and an evaluation of the use of reused components and recycled materials.

In response to this mandate, the Circular Economy Technical Committee was created at international level (ISO), which is involved with defining requirements, the framework, guidelines and tools for implementing circular economy projects, being applicable to organisations of all types and to any activity.

This technical committee has four working groups, three of them aimed at developing standards related to circular economy (the framework, principles and terminology for its implementation; a guide to business models, and the fra-

mework for measuring circularity), and a fourth group to collect success stories related to the implementation of a circular model.

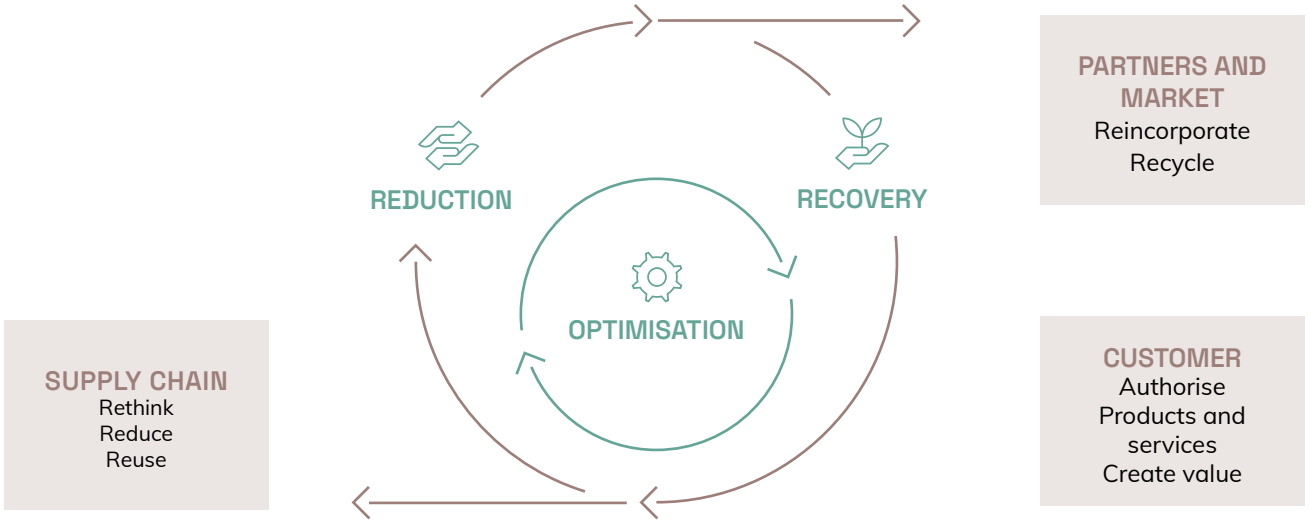
With relation to the UNE (Spanish Standards) in Spain, the Technical Committee for Circular Economy Standardisation was at the same time created as a mirror group to the ISO. It monitors these four working groups to channel the interests of the participating companies, including EDP España, in order to adapt their environmental strategy to the new requirements of the circular economy.

A highlight of 2021 was the formation of a new working group to create the Product Circularity Information Sheets, the main objective being to facilitate the exchange of information on product circularity among the stakeholders in the supply chain. It is also worth mentioning the development of existing groups: strengthening the extension of useful life as a circular practice, the diversity of circular business models, progress in establishing indicators, and a proposal for the creation of a new document related to circular economy best practices in all key areas of the supply chain (supply of raw materials, production, distribution, end of life), provided that they involve an improvement in the use of resources.

EDP España's Circular Economy Strategy

In line with the European and Spanish government's initiatives, EDP España established its own circular economy strategy in 2020. In the first quarter of 2021, the EDP Group approved its Strategy, with which EDP España is fully aligned.

In 2021, 76 new actions were identified in the Generation and Grid businesses in the various areas of action that form the Strategy: New business models, collaborative platforms, circular resources (circular supplies and waste recovery), circular management of assets and products



(efficiency in the use of resources and materials and life extension) and virtualisation.

The Action Plan for 2021 was developed, highlighting internal awareness-raising actions and the implementation of work to measure circularity.

Two training courses were held in October and November for senior managers in the Generation and Grid Platforms. A total of 60 people participated. These cascading awareness-raising actions will continue during 2022.

As for circularity measurement work, measurement pilots have been carried out in 2021 using tools available on the market, both at the World Business Council for Sustainable Development (WBCSD) and the Ellen MacArthur Foundation. However, these tools are intended for the measurement of product manufacturing rather than service delivery, or for large initiatives at organisations that entail structural change that can thus be reflected in the established indicators. This was why EDP España made progress in 2021 in the design of its own circularity measurement application, adapted to its own areas of action and which will make it possible to measure the circularity of initiatives and projects such as those that had been identified in the Strategy.

The Circumetric application was thereby created. This makes it possible to evaluate the circularity of actions and to implement and prioritise those that contribute most to circularity and sustainability. It contains a questionnaire on circularity, which is completed with specific data for each initiative or project, and it does at the same time consider the contribution of these actions to the Sustainable Development Goals (SDGs), thus aligning the implementation of the circular economy with the 2030 Agenda.

The tool has been presented to the rest of the EDP Group companies, as well as to the CEOE (Spanish Confederation of Business Organisations) and Forética (Spanish representative of the World Business Council for Sustainable Development) as a good practice to be replicated, so that it can be used by other companies and thus consolidate its implementation.

Circumetric

Circumetric is EDP España's circularity and sustainability calculator.

This evaluation methodology is used for specific initiatives and projects. It is a system that allows assessing the circularity of the measures to be implemented and prioritising those that contribute the most to circularity and sustainability.

It contains a questionnaire on circularity to be completed with the specific data for each initiative or project and, at the same time, it takes into account the contribution of the initiatives to the SDGs, thus aligning the tool with the 2030 Agenda. Once the questionnaire is filled in, the answers are translated into independent results for circularity and for sustainability. The former are broken down using a spider chart in the contribution to saving resources (materials, energy and water), to the extension of the useful life, to the improvement of the natural capital and to the facilitation of other circular initiatives. The latter are broken down into the SDGs to which the initiative evaluated contributes the most. Finally, both results are combined into a single score that goes from the letter A (more circular) to the letter D (less circular).

Hence, a semi-qualitative score is obtained for each initiative, thus allowing to focus efforts on those with the highest scores. Moreover, the fact of breaking down the circular results into the six vertices mentioned above allows to link the results of this tool with other environmental management tools and indicators within the company, such as, for instance, the circularity indicators at an organisational level, the environmental footprint or the environmental management system.

Finally, although circular economy is included on all the strategic agendas of leading companies and organisations in terms of ESG, to date there is no standardised methodology to measure the circularity of projects. This turns Circumetric into a groundbreaking and innovative tool.

Decommissioning EDP thermal power plants

The technical specifications have been prepared to proceed with the decommissioning of the thermal power plants to be closed at EDP. This would highlight the importance of circular economy practices that prioritise the reuse of assets within the organisation in the first place, in other industries afterwards, the reuse of loose components of the said assets, the generation of by-products and, finally, the management of waste that cannot be avoided, always seeking in this case to apply the best possible recovery treatment based on the existing waste hierarchy.

Other actions regarding the promotion of circular economy by EDP España

Cotec task force

A Right to Repair and Circular Economy task force has been launched as part of the Cotec Foundation projects for innovation. EDP España participates in this group together with the rest of the members of Cotec to align all its actions in terms of circular economy with the trends that are defined in this regard.

ZerØ Project

EDP España has completed the Zerø pilot project. This digital platform optimises and automates waste control and management processes, adapting to any new regulatory requirement that becomes effective or to any process that arises within the organisation. This tool allows to generate, store and send all the required legal documentation to the different competent bodies in a simple and intuitive way. It also allows the stored information to be used through reports with the main key indicators in a summarised and visual way. Once its effectiveness is verified, in 2022, its implementation will be extended to all EDP España centres.

Gijón Ecocircular Project: Good business practices

As part of EDP España's Circular Economy Strategy and based on the driving principle of the value chain, EDP has taken part in the Gijón Ecocircular project, creating, together with five other large Asturian companies, two good practices implemented in our Group that can become a reference to develop similar initiatives in the business fabric of Gijón. These two good practices have consisted in the definition of a unique strategy adapted to the reality of the Group, and in the creation of a monitoring and diagnosis centre for Iberian electricity generation assets, which allows optimising their operation, thus extending their useful life.

3.2.2. Natural capital and biodiversity protection

Natural capital is the stock of renewable and non-renewable natural resources, such as plants, animals, air, water, soil and minerals, that are combined to produce a flow of benefits for people, which are known as ecosystem services. Biodiversity refers to the variety within and between the living components of this stock. According to these definitions, we can frame nature as a (capital) asset and biodiversity as a characteristic of this asset that allows it to be more productive and resilient.

An essential step to protect natural capital is to integrate it into the economic and financial accounting, both on a national and corporate level, so that the governments and the private sector can have a full view of their environmental performance. For this purpose, it is essential to acknowledge that natural capital supports the rest of capitals with which the economic system is used to work (human, social, intellectual, manufactured and financial); thus, the current works are aimed at encouraging the integration of the actual value of nature into the economic policies and decisions, both regarding companies and countries.

The famous Dasgupta Review is an international benchmark economic study commissioned by the Treasury of the United Kingdom to the prestigious Cambridge economist after whom it is called (Partha Dasgupta). This study points out that, in per capita terms, between 1992 and 2014, the economic capital doubled and the human capital increased by 13%, while the natural capital decreased by 40%.

International negotiations on biodiversity

Recent studies reveal the link between land use and climate change and the spread of disease. Political leaders from around the world, representing nearly 100 countries and the European Union, have also recognised this connection in the Leaders' Pledge for Nature, by way of which approximately 100 governments have committed to reversing the loss of biodiversity by 2030. The members of the G7 have also committed themselves in mid-2021 to 'supporting global consensus and taking bold action for the delivery of ambitious outcomes for nature in the Conference

of the Parties, COP, of the Convention on Biological Diversity COP15 in Kunming and COP26 of the United Nations Framework Convention on Climate Change in Glasgow. Climate change is one key driver of biodiversity loss, and protecting, conserving and restoring biodiversity is crucial to addressing climate change'.

Convention on Biological Diversity

The mentioned Convention on Biological Diversity (CBD) became effective in 1993, with the endorsement of 195 national governments and the European Union. It has three main objectives: the conservation of biological diversity, the sustainable use of the components of biological diversity, and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources.

During the COP held in 2010 in Nagoya (Japan), the Strategic Plan for Biodiversity for the 2011-2020 period was approved as a ten-year framework of action for all countries and signatories of the agreement to stop the loss of diversity and ensure the provision of essential ecosystem services to people. This plan, known as the Aichi Goals, did not generate the expected result. Accordingly, at the current COP, i.e., number 15, the first part of which was held in October 2021 and which is expected to continue in April/May 2022, new objectives for 2050 and goals for 2030 will be set. Long-term goals relate to the improved integrity of all ecosystems; valuing, maintaining or enhancing nature's contributions to people through conservation and sustainable use; the fair and equitable distribution of the benefits from the utilisation of genetic resources; and closing the gap between available financial and other means of implementation, and those necessary to achieve the 2050 Vision. These four objectives are displayed in 21 urgent action goals to 2030 that will allow evaluating the progress of the plan.

Thus, a parallelism is observed between the international agreement on climate change and the agreement on biological diversity, given the strong link between both environmental problems. In this regard, on the occasion of the climate COP in Glasgow in 2021, over a hundred governments made a multi-million dollar promise to end deforestation by 2030, as an essential step to limit the advance of climate change. Likewise, more than a thousand companies with a turnover of more than 4.7 billion USD are demanding governments to adopt measures to stop the deterioration of nature over this decade, through the Business for Nature initiative, which includes the EDP Group among its members.

European initiatives on biodiversity

The need to promote changes is urgent and has led to the adoption in recent years of important multilateral international agreements, such as the 2030 Agenda for Sustainable Development, the Paris Agreement on climate change and the aforementioned proposal still under negotiation of a global framework that includes a set of new global objectives on biodiversity for the 2021-2030 period, to replace the failed Aichi Targets of the Convention on Biological Diversity (CBD).

In parallel, legislation and plans have also been approved within the European Union, such as the European Green Deal by the European Commission, which includes the Sustainable Finance Action Plan and the 2030 Biodiversity Strategy, which in turn cover the important role that companies and the financial sector must play in achieving the common objective of advancing in the transition towards sustainable decarbonised economies and a better, greener and more resilient reconstruction. The 2030 Biodiversity Strategy, approved in May 2020, has as main objectives the conservation and restoration of ecosystems and the implementation of new environmental governance systems. Thus, the protection of 30% of the surface of Europe is proposed for 2030. This level of protection covers both terrestrial and marine ecosystems. In particular, this objective means increasing protection by 4% on land and 19% in seas and oceans. Nevertheless, the level of conservation should not be homogeneous in all territories or all spaces. In fact, this strategy considers that 10% of the whole protected area should be allocated to strict conservation areas.

This means designating areas where human activity is excluded as much as possible, prioritising nature.

A biodiversity strategy of these characteristics cannot be implemented without the consensus of society. As a result, special interest is placed on creating new governance frameworks that can establish common indicators of progress.

Companies have a leading role in this governance strategy for biodiversity, not only as potential sources of financing for specific actions, but as promoters of territorial development and green economy.

The Commission is promoting tools and reference frameworks to channel investments towards activities that have a positive impact on biodiversity and reduce the effects of climate change. In this regard, the European Biodiversity Strategy 2030 will be directly linked to the revised version of the European Sustainable Financing Strategy and the EU Taxonomy.

Business risks related to biodiversity

The business community is progressively discovering that the risks arising from the incorrect management of nature go beyond the impacts they generate. The way in which companies' operations depend on natural assets or the fact that the loss of nature causes disturbances in society and in the markets in which they operate and can manifest itself as physical and market risks are material issues for companies. Companies can no longer provide a description of the risks (impacts, dependencies) related to their operations, but society also demands to know their consequences. Thus, in order to manage them, we should be able to quantify them (economically, to the extent possible) and identify other related risks by providing comprehensive analyses that also incorporate social aspects.

As part of its actions aimed at promoting natural capital assessments, the Sustainable Finance Action Plan of the European Commission includes the disclosure of aspects related thereto and ensuring that environmental, social and good governance (ESG) aspects are perfectly integrated as part of the duties of the investor.

In order to meet these demands, companies need to have tools and methods that provide them with the required information with accuracy and certainty of data for its calculation. Natural capital approaches are a very useful tool in this regard. Indeed, the European Green Deal supports companies in the development of standardised natural capital accounting practices within the community and the rest of the world to ensure proper management of environmental risks and mitigation opportunities while reducing related transaction costs.

The natural capital approach not only identifies, measures and values the impacts of business activities on

natural goods and services, but also identifies, measures and values the dependencies that business operations have on them.

In this regard, EDP España has developed different works in 2021 on the assessment of the impacts and dependencies of its activity on natural capital, in order to integrate the necessary initiatives in the field of biodiversity to allow contributing to the maintenance and strengthening thereof.

Actions of EDP España in terms of natural capital and biodiversity

A natural capital task force was set up in 2019 in the Spanish energy sector. EDP España was a member of such group. The purpose of the task force was to identify the impacts and dependencies of the different energy business lines on natural capital, based on the Natural Capital Protocol, an international framework of reference. Through various meetings carried out during 2019, 2020 and 2021, experiences and knowledge have been shared in the processes used to identify, measure and assess the impacts and dependencies of natural capital, taking ecosystem services (goods and services) that are affected by the different activities (thermal power generation, hydraulic power generation, wind energy, electricity distribution) as a starting point. As a result, a guideline document is to be published in 2022 presenting the conclusions for all activities in the energy sector. This document will provide the basis for future work on the valuation of natural capital within the framework of our facilities.

ECOILE: Assessment and offsetting of the impact of electricity lines

Taking into account the performance draft of this task force, in 2021, EDP España has developed a quick assessment application for the environmental impacts caused by electricity distribution lines on habitats, species and ecosystem services. The assessment of the impacts on these three elements is aimed at obtaining a comprehensive vision of the impact of electricity distribution lines on natural capital.

Once this tool is available, the next step will be to apply it to all the lines of the Grid Platform in the different autonomous regions, in order to detect the areas that are affected the most and thus be able to prioritise the biodiversity actions that will allow to offset these impacts.

White-tailed eagle project

In May 2021, a project was launched aimed at recovering the presence of the white-tailed eagle in the Cantabrian coast, by means of an experimental reintroduction based on the release of chicks from the Norwegian population. The project benefits from the support and collaboration of the Ministry for the Ecological Transition and the Demographic Challenge, Tragsatec, the Government of the Principality of Asturias, the Government of Cantabria, the Norwegian Environment Agency, the Ribadedeva Town Council and EDP España, and GREFA (Group for Indigenous Fauna Rehabilitation) is the entity responsible for the technical execution of the project.

EDP España has participated by adapting the grid installations in the surroundings of the area where the white-tailed eagles have been released. Since it is a large bird (up to 2.5 m), the power lines have been equipped out with anti-electrocution and anti-shock devices, including measures way above those required by the current laws on bird and fauna protection.

Stop Cortaderia Project

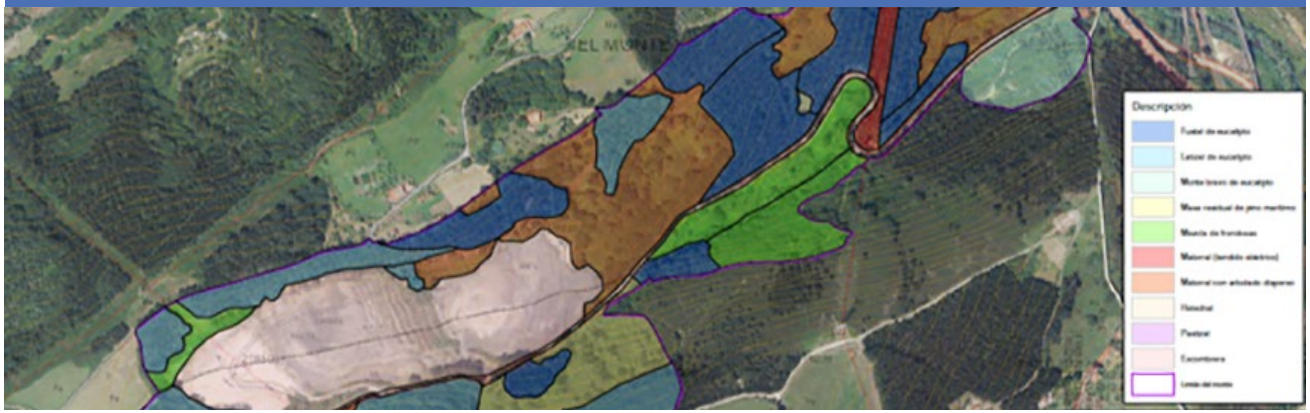
In 2020, Viesgo joined the alliance made up of environmental and social NGOs and the Regional Ministry of Rural Environment, Fisheries and Food of the Government of Cantabria for the execution of the project named 'LIFE+ Stop Cortaderia'. This initiative is aimed at removing the Cortaderia selloana in the coast areas of the network Red Natura 2000 and containing the expansion of this invasive plant to inland areas, including initiatives to extend the fight against Cortaderia selloana throughout the Atlantic Arc, from the North of Portugal to the South of France. It is a project that is also aimed at social inclusion, since 52% of the total budget is allocated to hire staff, and the Cortaderia selloana removal and control work will be carried out by the teams hired by the social entities AMICA, AMPROS and SERCA. Among the environmental NGOs, it should be highlighted the agreement signed with SEO BirdLife.

From 2021 on, the programme has been assigned to EDP Redes España.

‘Hectárea Natura’: improvement or replacement of ecosystem services

The ‘Hectárea Natura’ project is aimed at grouping projects whose purpose is improving or replacing ecosystem services. It is different from the ‘Hectárea Zero’ projects in the fact that the purpose of the latter is adaptation to climate change.

The first ‘Hectárea Natura’ project is planned in the area of the ash deposit in the thermal power plant in Aboño, where more than 15 ha are eucalyptus, a non-native species. The goals of the project are restoring the original habitats through leafy indigenous species (willow, oak, birch, laurel, chestnut tree), enhance the informative routes and, lastly, obtain a Ecosystem Services FSC certificate.



Technical Committee for Biodiversity Standardisation

In financial year 2021, a new technical standardisation committee (TSC) has been created. Its purpose is both defining a new international standardisation area (ISO/TC 331 Biodiversity) to develop standards with a different approach and scope in the field of biodiversity, and turning biodiversity into an increasingly important topic in European standardisation forums. This committee has been created to allow the representation of the vision and interests of Spanish entities in international and European standardisation work in this area and, at the same time, to integrate national initiatives that may arise in this area.

EDP España has joined this technical committee as a member to be able to adapt its progress in terms of natural capital and biodiversity to the standards that are defined both internationally and nationally.

The launch meeting took place in July, where the four existing ISO working groups (Terminology; Measurement, data, monitoring and assessment; Restoration, conservation and protection; Organisation, strategies and sustainable use) were presented. Progress in these areas will be monitored by this committee.

3.2.3. Climate action

United Nations Framework Convention on Climate Change

Finally, although with strict security measures in place to control the COVID-19 health emergency, the COP26 Conference of the Parties was held in Glasgow from 31 October to 12 November. The COP26 was essential, given that the resolutions established in the Paris Agreement became effective from 2021 and some of its points still had to be specified and materialised.

The media and social pressure became more evident than ever. The conference started with the need to move forward and take immediate measures to keep the 1.5°C goal alive. The most repeated messages before and during the summit were the urgency in decision-making and the certainty that the time to act was running out.

Even though not all the objectives set by the most ambitious sectors were achieved, very relevant agreements were executed, such as the commitment to gradually reduce the use of coal, the 30% reduction in methane emissions by 2030, the Glasgow declaration on zero emissions cars and vans or the commitment to end deforestation by 2030. According to different groups of experts, in the most optimistic of scenarios and if all the published commitments and promises were met, the 1.5 °C objective would not be achieved, and thus we would remain around -1.8 °C. There were also various financial commitments in place, but it has become clear that the financing objective of 100 billion dollars should be significantly increased to meet all the expenses to be incurred as part of the adaptation and to mitigate all the damage and losses caused by climate change.

Lastly, the resolution on the development of article 6 of the Paris Agreement should be highlighted. It allows to provide a clearer vision for the operation of international carbon markets.

With all this, the COP26 was closed with the final agreement (Glasgow Climate Pact), through which the countries closed all the pending issues of the Paris Agreement one year late and were summoned to return before the COP27 to be held in 2022, with new reduction commitments for 2030, to strengthen the objective of 1.5 °C.

European climate change strategy

The United Nations Framework Convention on Climate Change adopted the Paris Agreement in 2015, which establishes in article 2 its goal to limit global warming by: 'holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.

Complying with the commitment adopted in the Paris Agreement, the European Commission proposed at the end of 2016 the package of measures called 'Clean energy for all Europeans'. This package includes Regulation 2018/1999 on the Governance of the Energy Union and Climate Action, which establishes the need for the development of long-term strategies by the Member States, with a perspective of at least 30 years.

The EU pushes for climate neutrality by 2050 with a clear commitment to leading global climate action. Hence, this long-term objective constitutes the key element of the European Green Deal presented by the Commission on 11 December 2019.

The first climate action initiatives under the European Green Deal are the proposal for a European Law on Climate Change, the European Climate Pact and the proposal for a new more ambitious emission reduction target by 2030.

The goal of these measures is to make the target established in the European Green Deal legally binding so the European economy and society become climate-neutral by 2050, to engage citizens and communities in the action for climate and environment, and to increase the greenhouse gas emission reduction commitment, going from 40% to 55% with respect to 1999 levels, so that the decisions that are made in the forthcoming years do not lead to emission levels incompatible with the UE target by 2050.

In June 2021, EU environment ministers adopted conclusions endorsing the new EU climate change adaptation strategy. This strategy details a long-term vision for the EU to become by 2050 a resilient society in terms of climate change, fully adapted to its unavoidable effects. The measures foreseen in the strategy consist in improving the collection and exchange of data related to climate change, applying nature-based solutions to meet adaptation objectives and integrating adaptation in budgetary policies.

Emissions Trading System (EU-ETS)

In July 2021, the EU adopted a series of legislative proposals setting out the path to achieve climate neutrality by 2050. This package of proposals revises various aspects of EU climate law including, but not limited to, emissions trading (EU-ETS), and how this will contribute to achieving the climate objectives defined in the European Green Deal.

To achieve the GHG emission reduction target for 2030, the sectors covered by the EU-ETS must reduce their emissions by 43% compared to 2005 levels. The revision of the EU-ETS Directive, which will apply from 2021 to 2030, will allow this objective to be met by way of a set of interrelated measures.

To increase the pace of emission reductions, the global number of allowances will decrease at an annual rate of 2.2% from 2021, compared to the previous rate of 1.74%. The Market Stability Reserve (MSR), which is the mechanism put in place by the EU to reduce excess allowances in the carbon market and improve the resilience of the EU-ETS to future shocks, will be significantly strengthened. From 2019 and 2023, the amount of rights deposited in the reserve will double to 24% of the outstanding rights. Starting in 2024, the regular 12% feed rate will be restored.

Moreover, the free allocation system, which will be extended for another ten years, has been revised to pay special attention to the sectors with the greatest risk of relocating production outside the EU. These sectors will receive 100% of their allocation for free. Concerning the least exposed sectors, a gradual withdrawal of the free allocation of emission rights is expected from 2026, from a maximum of 30% until its disappearance at the end of phase 4 (2030).

A considerable number of free allowances will be reserved for new and growing installations. This number consists of unallocated allowances from the total amount available for free allocation at the end of phase 3 (2020), and of 200 million allowances from the MSR. In total, over 6,000 million emission rights are expected to be allocated free of charge to the industry during the 2021-2030 period.

In July 2021, the European Commission published the legislative proposal on a new regulation that would establish a Carbon Border Adjustment Mechanism (CBAM), aimed both at preventing the leakage of carbon emissions in the production process and at clearly expressing commitment to decarbonisation to the rest of the international community. The CBAM would replace the current system designed by the Commission to try to prevent the leakage of emissions, the free allocation of emission permits to sectors at risk of relocation. The Commission has made a proposal that establishes the obligation for importers of basic materials and electricity to deliver emission permits, which are not marketed in the ETS, but with the same price as the ETS (CBAM

certificates). This obligation would gradually evolve over the next 10 years, in which the free allocation of ETS permits would be reduced.

Operation of the Emissions Trading System (EU-ETS) in 2020

The advance of the Greenhouse Gas (GHG) Inventory estimates gross emissions of 271.5 million tons of CO2 equivalent for 2020. This represents a global decrease in CO2 equivalent emissions in 2020 of 13.7% compared to the previous year. The level of global emissions stands at -6.4% compared to 1990, and -38.6% compared to 2005. For the first time throughout the series inventoried from 1990 to 2020, emissions dropped compared to the year 1990.

There are two main reasons behind the decrease in emissions: Firstly, the increase in electricity generation from renewable sources and the decrease in the use of coal. Secondly, the limitations of activity and mobility due to the COVID-19 pandemic, which have resulted in a drop in GDP of 10.8%. All this has generated a decrease in GHG emissions associated with transport of 17.6%, a global decrease in emissions from industry of 11.4% and a decrease in those due to electricity generation of 34.9%. The strong increase in generation from renewable sources in 2020 also contributes to the said decline.

GHG emissions from sectors subject to the European emissions trading system or ETS, which account for 32.7% of the total, decreased by 18.7%. Emissions from diffuse sectors decreased by 10.4%. GHG emissions subject to the ETS regime experienced decreases in most sectors. As a whole, the total of the Energy sector accumulates a decrease of 17% in GHG emissions. Likewise, GHG emissions from Industrial Processes and Product Use have suffered a decrease of 12.6%.

In 2019, nearly €14,000 million were generated in the ETS emission rights auction, reaching €7,900 million over the first half of 2020. In the 2013-2019 period, Member States spent approximately 78% of that revenue on advancing climate and energy targets, well above the 50% required by legislation.

Spanish Strategic Energy and Climate Framework

The Strategic Energy and Climate Framework was already launched by the Spanish Government at the end of 2019, and it was considered as an opportunity for the modernisation of Spanish economy, job creation, the positioning of Spain as a leader in renewable energies and technologies, the development of the areas, the improvement in people's health and the environment, and social justice. The key pieces that make up this framework are the draft bill on Climate Change and Energy Transition, the 2021-2030 National Integrated Energy and Climate Plan (PNIEC), and the Just Transition Strategy.

Spanish law on climate change and energy transition

The declared objectives of Spanish Law 7/2021, of 20 May, on climate change and energy transition, are to ensure compliance by Spain with the objectives of the Paris Agreement, adopted on 12 December 2015, and to facilitate the decarbonisation of the Spanish economy and its transition to a circular model that guarantees the rational and supportive use of resources, as well as promoting adaptation to the impacts of climate change and the implementation of a sustainable development model that generates decent employment and contributes to the reduction of the inequalities.

The text includes the minimum national objectives for the reduction of greenhouse gas emissions, renewable energies, and energy efficiency of the Spanish economy for the years 2030 and 2050: the emissions of the Spanish economy, as a whole, must be reduced by 2030 by at least 23% compared to 1990 and climate neutrality must be achieved no later than 2050. In addition, in 2030, a penetration of renewable energies in final energy consumption of at least 42% must be achieved, as well as an electricity system with at least 74% generation from renewable sources. Energy efficiency must be also improved by reducing primary energy consumption by at least 39.5% with respect to the baseline according to community regulations.

Such law also includes the Spanish Integrated Energy and Climate Plan (PNIEC) and the 2050 Decarbonisation Strategy of the Spanish Economy as planning instruments to address the energy transition. The first must include the sectoral objectives, the policies and measures to be achieved by those sectors that participate in the emission rights trading system, the large industries, the electricity sector and the diffuse sectors (agricultural, forestry, transport, residential, institutional, commercial and fluorinated gases). The Decarbonisation Strategy defines the milestones to be met in order to achieve the goal of climate neutrality by the year 2050.

The Spanish Act establishes that the National Climate Change Adaptation Plan (PNACC) is the planning instrument to promote coordinated action against the effects of climate change. Within the framework of the PNACC, strategic objectives and the definition of a system of impact indicators and adaptation to climate change will be established, as well as the preparation of risk reports.

The Just Transition Strategy is created as a state-level instrument aimed at optimising opportunities in activity and

employment in the transition to an economy low in greenhouse gas emissions and regulates the Just Transition Agreements as instruments to materialise the actions.

The law establishes that the use of the non-flowing hydraulic public domain for the generation of electricity in the new concessions that are granted will have as a priority the support for the integration of non-manageable renewable technologies in the electrical system, particularly promoting hydroelectric plants reversible. The text provides that new exploration authorisations, research permits, and hydrocarbon exploitation concessions will not be granted throughout the national territory. Nor will new exploration, research or exploitation permits for radioactive minerals be granted, nor will new requests for authorisation of radioactive facilities be accepted.

The reduction of specific emissions in the air, maritime and heavy road transport sector is also expected through the integration of renewable energies and the establishment of objectives for the supply of biofuels and other renewable fuels of non-biological origin. In terms of mobility without emissions, it is established that measures will be adopted to achieve a fleet of passenger cars and light commercial vehicles without direct CO2 emissions by 2050.

Finally, the Committee of Experts on Climate Change and Energy Transition is created as the body responsible for assessing and making recommendations on energy and climate change policies and measures, including regulations.

2021-2030 Spanish Integrated Energy and Climate Plan (PNIEC)

The PNIEC establishes the road map for the decarbonisation of the Spanish economy during the next decade, whose main goals are the following:

23%
reduction in greenhouse gas emissions with respect to 1990

42%
of renewable energy in the final energy consumption (20% in 2020)

39,5%
in energy efficiency

74%
of renewable energy generation, in accordance with the path to a 100% renewable electricity sector by 2050

(PNACC2) National Climate Change Adaptation Plan (PNACC2)

In addition to the mitigation measures aimed at reducing greenhouse gas emissions, and taking into consideration that the climate change is already a reality, it is necessary to undertake adaptation initiatives to reduce the risks of climate impacts and seize the opportunities that may come up, strengthening the resilience of socio-economic and environmental systems

In September 2020, the second National Climate Change Adaptation Plan (PNACC2) for the 2021-2030 period, based on the principles of social and territorial equity, science, cross-cutting nature, monitoring of unwanted effects and coordinated action.

The Plan comprises 81 sectoral lines organised in 18 areas for work, which include, among others, energy actions such as the integration of primary energy supply changes into the energy planning and management, the prevention of impacts on electricity generation, the prevention of impacts on energy transmission, storage and distribution, and the management of the changes in electricity demand associated with climate change.

Spain's Long-Term Decarbonisation Strategy

The Long-Term Strategy was approved in 2020. It seeks to articulate a coherent and integrated response to the climate crisis, capturing opportunities to modernise our economy and make it more competitive in a socially fair and inclusive manner. It is a road map aimed at achieving climate neutrality by 2050, reducing greenhouse gas emissions by 90% compared to 1990, the remaining 10% being absorbed by sinks. Intermediate milestones are set in the years 2030 and 2040.

Just Transition Strategy

Published in 2020, the Just Transition Strategy is the national plan aimed at optimising opportunities in terms of activity and employment in the ecological transition towards a low-carbon economy. This strategy will allow to identify and adopt measures to guarantee equitable and supportive treatment for workers and territories during the said transition. It is articulated around 11 strategic objectives aimed at encouraging actions and guaranteeing the conditions to minimise the impact and take advantage of the opportunities within the framework of transition towards carbon neutrality.

EDP España: adaptation to climate change

As explained on the sixth report of the Intergovernmental Panel on Climate Change (IPCC), the scientific evidence of the existence of Climate Change is undeniable. Not only that, but the action of the human being is directly related to the climatic emergency that the planet is going through and is one of its main precursors. The changes that the planet will undergo due to greenhouse gas emissions will be 'irreversible for centuries, even millennia'. As a result, we must work to minimise the negative consequences of these changes.

In 2019, EDP España had already prepared the first Climate Change Adaptation Plan (PACC) for the 2020-2022 period, identifying and launching a set of 21 initiatives to be implemented over that period. After the approval in 2020 of the Second National Climate Change Adaptation Plan (PNACC2) in Spain, EDP decided to review the PACC, which resulted in EDP España's Second Climate Change Adaptation Plan (PACC2) for the 2021-2025 period.

The PACC2 has taken advantage of the work already carried out, by incorporating new initiatives or adapting existing ones for it to be completely aligned with the PNACC2, thus turning it into a much more robust and consistent plan.

The PACC2 consists of five lines of action: Asset Management, Value Chain, Collaborative Platforms, Health and Safety and Natural Environment. A total of 11 initiatives have also been identified as part of their corresponding line of action. These initiatives are to be developed over the term of the plan.

Among the adaptation plan projects that are being carried out, we should mention the start of the works of the Hectárea Zero project, with the first forest plantation in the council of Caso in the surroundings of the Tanes reservoir. The plantation will achieve the fixation of the slopes, thus avoiding the dragging of sediments and clogging of the reservoir. In addition to this adaptation objective, CO2 absorptions will be recorded, to be able to use them afterwards, thus offsetting emissions and reducing EDP's carbon footprint.

Furthermore, the first results of the Climate Risk Map project have materialised. The pilot has consisted of drawing up a map of landslide risks, which will allow to determine the risk exposure of our assets and carry out mitigation measures based on the priorities identified. The scalability of the project should be highlighted, since the risk map can be applied to any region, and other risks (floods, heavy snowfalls, etc.) can also be incorporated into the map, thus enriching the model and allowing to define risk exposure more precisely.

Carbon footprint

The need to act against climate change forces us to take environmental measures aimed at mitigating greenhouse gas emissions, and to implement measures that minimise the risks associated with climate change.

The first step for an organisation is finding out the total greenhouse gas emissions resulted, directly or indirectly, from the activity performed by such organisation; in other words, to calculate its carbon footprint.

This footprint is defined in three scopes, according to the type of emission source, which in the case of EDP España are the following:

The calculation of the carbon footprint of an organisation represents a double opportunity for it. On the one hand, it is the first step to determine its greenhouse gas emissions and establish emissions reduction and/or offsetting plans which will be reflected in the footprint calculation of the following years. And, on the other hand, these reductions also involve a reduction in costs, since they entail a reduction in the electricity consumption, a reduction in the transport expenses, process improvements, etc. In short, it is a change of habits and an increased environmental awareness.

SCOPE 1

- Use of fosil fuels
- Use of fluorinated gases in cooling equipment
- Use of SF6 in electric equipment
- Own self-consumption
- Own vehicle fleet

SCOPE 2

- Electricity consumption
- Losses in electricity grids

SCOPE 3

- Transport of raw materials in bulk
- Use of chemical products and oils
- Water consumption
- Business trips
- Waste
- Dumping to the sewage system
- Purchase of retailed energy from third parties
- Losses in electricity transmission not originated in EDP

GENERATION DISTRIBUTION RETAIL

EMISSIONS OF GREENHOUSE GASES

7,082 $ktCO_{2eq}$
GREENHOUSE GAS EMISSIONS SCOPE 1[1,2]

87 $ktCO_{2eq}$
GREENHOUSE GAS EMISSIONS SCOPE 2[1,2]

3.726 $ktCO_{2eq}$
GREENHOUSE GAS EMISSIONS SCOPE 3[1,2]

1 – Best estimate as at February 2022
2 – Calculated according to the GHG Protocol Location Based methodology

3.3. Positive impact on society

3.3.1. Safety and Health

New Safety and Health Policy

The Occupational Health and Safety Policy has been renewed, but its purpose still is: strengthening safety culture from the 'Zero accident' approach.

As stated by the own policy in its preamble, health and safety is a value and a priority for EDP, which not only applies to workers, but also to all the suppliers, service providers, customers and other stakeholders.

This revision is due to the existence of a new regulatory reference for the certification of Occupational Health and Safety Management Systems (ISO 45001:2018), which places people at the core of the strategy, in a context of new occupational requirements resulted from the own progress of the business and from the digitisation of the processes. All is based on the highest international ethical standards and principles of sustainable development.

This new policy defines the main occupational health and safety commitments and principles which must be present in all the operations in the EDP Group, regardless of the company or geographical area, and as an integral part of the quality of the services and products developed.

Consequently, its effectiveness and the continuous improvement in occupational health and safety performance requires the engagement of all the management levels, being necessary to mobilise all employees, service providers, customers and the community in general regarding positive occupational safety commitments.

Thus, this update includes two more commitments with respect to the former 2016 version, putting a special emphasis on 'guaranteeing the engagement and consultation of workers and their representatives in the planning, implementation and assessment of occupational health and safety management performance'. In other words, it is a commitment to openness and the integration of employees, who now have the opportunity to have an active voice in the area.

This new policy also strengthens the 'Zero accident' ambition and the main commitment of protecting the installations and equipment, at a time in which the socio-economic contexts is still impacted by the pandemic.

SAFETY AND HEALTH POLICY

COMMITMENTS	PRINCIPLES
1. Healthy and safe work environment	1. Occupational health and safety is present in all the decisions made in the activities of the EDP Group.
	2. Safety is based on the observance of and compliance with the laws and regulations.
2. Guaranteeing compliance with the laws, as well as the training and awareness about risks and regulatory compliance	3. The promotion and training about safety rules among workers is the responsibility of their managers.
	4. The activities of the company are performed under the 'Zero accident' premise.
3. Minimisation of hazards and protection of the installations and equipment	5. Safety in the activities is achieved by a systematic analysis of the risk involved by such activity.
	6. The continuous improvement process in the prevention of occupational accidents is achieved through the analysis of past incidents.
4. Involving the workers in the planning and implementation of occupational health and safety management	7. The reports containing accidents that have been close to happen, as well as the concerns of the workers regarding safety, are always welcomed.
	8. The safety procedures are subject to constant revision and updated.

Health and safety performance

During 2021, three health and safety management protocols have been prepared to address with safety guarantees the election processes for the Joint Participation Pension Plan Control Committee and the access to the EDP pavilion in the International Trade Fair of Gijón (FIDMA).

Due to the many updates sustained by the Protocol of the Occupational Health and Safety Management Services about the exposure to SARS-CoV-2, prepared by the Spanish Ministry of Health, it has been necessary to regularly modify and update the assessment of the exposure to the COVID-19 risk by EDP España team and installations as a whole.

A daily analysis has been conducted on the different national and regional regulations on COVID-19 matters to have an updated view of the provisions applicable in each territory in which we have work sites in Spain.

The strategy initially adopted was to conduct PCR tests every six weeks to the entire staff who had to work onsite on a daily basis, which was subsequently replaced by antigen and PCR tests on the staff who worked onsite and specifically to the essential or critical staff in offices or control rooms, as well as the breakdown service.

Likewise, a voluntary monitoring of the vaccination status of employees was conducted. The development level of this vaccination process allowed to replace PCR tests by ELISA texts, for virus immunisation control.

By way of summary, throughout last year, 2021, a total of 8,403 COVID tests were performed, out of which 8,000 samples were taken in our three Health Services in Asturias (Aboño, Soto de Ribera and Oviedo), which represents 95% of the total tests, the remaining employees directly going to arranged laboratories.

The following was detected:

- 28 PCR positive samples and 3,341 negative samples;
- 12 positive antigen tests and 2,987 negative Ag.

1,262 ELISA tests and 773 rapid serological tests have been also conducted.

Throughout this year 2021, the monitoring of all the COVID-19 cases in the in-house staff, trainees and subcontractors that were working in our premises was maintained. 164 cases were recorded. Out of the total, approximately half of the affected staff was able to continue teleworking, not taking a leave. As for the number of people that took a leave, it was 5% of the total staff.

EDP Health Service has been always in contact with the staff affected by COVID-19 until they resumed their work.

As regards vaccination, in the EDP España Group, together with the Renovables España staff, as at 31 December 2021, 1,671 people had communicated that they had received at least two vaccination dosages, which represents 81.44% of the entire staff in Spain.

Among the activities performed by EDP Health Service, it should be also highlighted its engagement in the flu vaccination process, such vaccine being administered to 27% of Group employees in the company's own service.

Other management milestones as regards health and safety management in the year are:

- ISO 45001 certification audit: 100% of EDP España activities are certified.
- Regulatory audit on EDP Solar.
- Mobility and Road Safety Plan: in the process of preparation of this plan, during 2021, the first diagnosis stage has been concluded and different work sites.
- Drills: a total of 26 drills were performed, out of which 7 took place in the Generation Platform, 16 in the Grid Platform and 3 in Offices (Customer Platform).

Emergency drill at Valle II dam in Somiedo

EDP and the Emergency Service of the Principality of Asturias (SEPA) have carried out an exercise to activate the sirens at the Valle II dam in Somiedo. This fundamental practice is an integral part of the proper implementation of the facility's emergency plan. Both the dam's Generation team and the entire Hydraulic department are involved in this drill, whose purpose is to provide support and monitor the emergency while collaborating with the Operations Manager.

The main goal of this exercise is both to train EDP employees and the personnel involved from different entities on how they should act in the event of a real incident. Likewise, it also serves as training for the population to identify this sound and know what self-protection measures, they should apply.

The proposed accidental hypothesis was an earthquake within the area that would cause the dam to break. To do this, EDP opened its emergency room in Valle de Lago, located at Valle I, from where the sirens were activated.

Preventively, and to evaluate the exercise, two Civil Protection technicians from SEPA, some officers from the Civil Guard of Pola de Somiedo and Civil Protection volunteers travelled to the site and were in charge of informing the population of Valle de Lago.

The dam is equipped with six sirens placed in four separated points that, in case of activation, emit an ascending warning sound consisting of three one-minute duration sound intervals, separated by intervals of five seconds of silence. The end of the alert is also announced by a continuous signal of 30 seconds.

Held annually, this type of simulated attack usually takes several days to prepare in advance, and, on this occasion, more than 50 specialists were involved.

Playitsafe: new safety programme of the EDP Group

In the current context in which we live, safety and well-being have assumed a fundamental role, both in the personal and professional life. Thus, recognising such importance, EDP has launched the Playitsafe programme.

This is one of the Changing Tomorrow Now ... With You projects and seeks to raise awareness among all employees about the importance of adopting safe behaviours.

Playitsafe is a cross-cutting project through the entire Group and will have a four-year duration. During this period, the proposal involves the continuous improvement of the company and its procedures, with a special emphasis on accident prevention.

Thus, the programme will be developed around six priority areas, fundamental for the achievement of the accident reduction targets:

- Commitment and involvement of our leaders in health and safety management
- Promotion of safe behaviours and learning from mistakes
- Digitisation of processes and operations
- Strengthening of health and safety competences
- Communication and involvement in health and safety management
- Management of the procurement chain

Psychosocial Risks and Well-Being Assessment at EDP

The 2020 materiality study identified psychosocial risks as an emerging issue, which has been further exacerbated by the pandemic.

In this regard, during 2021, we have stressed the importance of having a culture focused on people, on their well-being and on their quality of life as EDP employees, but also and above all as people.

As part of a comprehensive approach to the subject, a Psychosocial Risk and Well-Being Assessment was launched across all Group companies, the aim of which was to analyse the quality of well-being and working conditions in order to take stock of the specific actions that need to be implemented in each area.

In addition, an interview process was carried out at EDP España, with a total of 346 interviews, and visits were made to work centres to evaluate aspects on site.

Mind your mind

Well-being is a key foundation for successfully achieving our goals and, through the playitsafe programme, we work on our processes, benefits, and behaviours to improve well-being.

Mental health is undoubtedly one of the most important and priority aspects of our well-being. Therefore, to coincide with World Mental Health Day on 10 October, the Mind Your Mind global campaign was launched, with the aim of reminding people of the importance of mental health, the empowering role of exercise and nutrition, and also the importance of talking about mental health without taboos.

This reinforces mental health as another aspect of occupational health and safety at EDP and, following the campaign, work is ongoing to promote and prevent mental illness, ensuring responses and support services in all the Group's companies.

In the field of occupational health and safety, the year has ended with good results in terms of indicators, and we have improved our objectives, both regarding our own staff and those of our partner companies.

Similarly, the COVID-19 pandemic was managed with a limited number of infections in the various waves, thanks to vaccination, the measures implemented, and everyone's efforts, and we have managed to maintain the continuity and security of the electricity supply at all times.

Lastly, from an operational risk and business continuity perspective, the Operational Risk Management Plan and the Governance Model have been implemented at EDP España and EDP Redes España. Furthermore, at the end of the year, the Operational Risk Acceleration Plan to augment the maturity of our management practices was almost complete.

Marcos Enrique Antuña Egocheaga
SSCBR

3.3.2. Organisation ready for the future

The strategic areas of EDP include being a global, agile and efficient organisation focused on people. For this purpose, an ambitious people and organisation strategy has been defined:

- To offer its people a humane and significant experience, reviewing the EDP purpose and values, and defining and applying specific measures in terms of health, well-being, flexibility and new ways of working.
- To invest in employee assessment and internal talent retaining.
- To promote opportunities for development for all its people.
- To invest in the collaboration and promotion of mobility, as a way to share knowledge and individual and organisational development.
- To consider diversity and inclusion as accelerating elements indispensable for innovation, promoting to attract and retain female workers and people with disabilities, being able to adjust its staff to the challenge of leading the energy transition, through generational renewal and retraining.
- To promote agility and efficiency, implementing a digital training programme and increasing the digital appeal initiatives.

During 2021, 52% of EDP España employees have worked under a hybrid model, with three onsite days and two teleworking days, always subject to the restrictions set out by the different pandemic waves. This model has undoubtedly had an impact on a better balance between personal and professional life, flexibility and people training.

In this context, different surveys have been conducted, among which the Annual Climate Survey stands out, in order to know the employees' perception.

The 2021 Climate Survey has reached an engagement rate of 83% in EDP España, one point higher than the 2019 global survey.

EDP España ratings in the two most relevant areas, Commitment (Engagement – 65%) and Organisation Support (Enablement – 61%), are slightly below the ratings in the previous survey (68% and 63%, respectively).

The positive results in the Work Models (88%), COVID-19 and pandemic management (87%) and Line Manager (79%) dimensions are worthy of note, while the identified opportunities for improvement include the recommendation of company products and services (NPS – 36%), Action plan (36%) and Remuneration and benefits (50%).

Furthermore, the results obtained regarding the intention to remain in the company and the perception of opportunities to carry out an interesting and challenging job should be especially highlighted.

During 2022, the exhaustive results will be communicated to the platforms and the respective teams so they can develop corporate action plans in the different areas, according to the results obtained in each of them.

Attracting and retaining talent

2021 was a very challenging year in terms of recruitment. New roles in the Commercial area, new structures in the E-Redes area, and new scenarios in the Generation area have been constant challenges in the search for the best talent. In total, 96 new employees joined the company often with remote or hybrid working arrangements, posing the resulting challenge of adaptation.

The EDP Group's internal mobility policy continued in 2021, offering its employees options for development and change within the Group. A total of 81 transfers were carried out, of which 50 were intracompany and 31 were intercompany. There were also 15 transfers to other Group companies.

Organisation

In 2021, the platform management model was implemented and the Generation, Grid, and Customer Business Platforms were defined. These platforms allow us to focus strategic initiatives, create synergies, and take into account international best practices, while complying with regulatory frameworks and the specific requirements of each region.

The new platform management model is being implemented by functional areas through various initiatives that will run until 2022, mobilising everyone in the Group towards the development of a sustainable organisation.

Through this model, management responsibilities are shared among Group companies, building a more versatile and resilient organisation, supported by a greater capacity for collaboration among managers. It also broadens the diversity and challenges faced by employees working on the platforms.

For the HR team, 2021 was a year marked by the restructuring of EDP España as a result of the integration of Viesgo. This integration involved the analysis and design of an integrated distribution structure that led to the development of new functional descriptions and job evaluations that impacted over 600 employees.

The cornerstone of this integration was the signing of a collective agreement for the Viesgo entities that was a counterpart of the collective agreement previously in place at EDP España. As part of this integration, in terms of training, it is worth highlighting the onboarding platform and training in corporate tools, continuing with digitisation efforts to the extent that 86% of the plan's courses have been carried out online.

It was also a very challenging year in terms of recruitment. New roles in the Commercial area, new structures in the E-Redes area, and new scenarios in the Generation area have been constant challenges in the search for the best talent, with 96 new employees joining the Group.

The EDP Group's internal mobility policy continued in 2021, offering its employees options for development and change within the Group, with 81 transfers having been carried out.

In 2021, we started a monthly newsletter + People, for all HR processes and initiatives. Throughout the year, 12 issues were sent to the entire workforce with viewing figures reaching 70%.

2022 will be marked by the roll out of very important corporate projects such as the Performance and Talent Management Model, the One Company – People Narrative, the EDP Job Family Model, and the Job Grades and Compensation and Benefits Model for the entire EDP Group. Throughout 2022, we will also take the opportunity to identify and develop the Action Plan initiatives resulting from the results of the Climate Survey.

Félix Arribas Arias
Administration, Finances and HR

Viesgo's integration

The integration of Viesgo employees into the EDP Group has involved various challenges for the company during year 2021. In order to achieve this goal, a series of activities were carried out throughout the year to help employees in their onboarding process, through training and socialising workshops and Viesgo's integration in the EDP management model.

For the effective integration of activities, the Vega project was created, aimed at the integration of Viesgo, Begasa and E-Redes. More than 200 employees have participated in this project in 180 initiatives, identifying and implementing the best practices, unifying procedures and establishing common criteria in the management of the electricity distribution business of the EDP Group in Spain.

The initiatives were distributed in the following work areas:

- CAPEX planning
- Construction, operations and maintenance
- Other corporate functions
- Measuring and grid connection systems
- IT & Data
- Health, safety and environment

People development

The development of people at EDP seeks to address new ways of learning, guaranteeing the updating and requalification of critical skills necessary to achieve the organisation's objectives in the short, medium, and long term, without forgetting people's individual needs.

EDP development model is implemented through a series of initiatives and programmes based on the 70-20-10 methodology:

70%
EXPERIENCES IN THE WORK STATION

20%
LEARNING INITIATIVES BY SHARING KNOWLEDGE AND DEVELOPING RELATIONS

10%
TRAINING

The 2021 Training Plan ended with a total of 39,953.81 hours of training and 22,094 participants. The main focus that defined the finalised training plan was to facilitate the integration of Viesgo, with the development of specific initiatives such as an onboarding platform, 'Who's Who', 'A coffee with...', or training in the corporate tools necessary for their regular work.

In 2021, the company also continued its efforts in digitisation, which is reflected by the fact that 86% of the courses in the training plan were carried out online or virtually through Teams.

Within the people development process, the performance management process is particularly significant, through which 100% of the Group's employees are assessed annually based on ESG factors, with impacts on bonuses and perks, as well as on non-financial aspects.

Following the annual appraisal and the corresponding feedback meetings with management, each employee has first-hand and useful information on their performance, which allows them to establish their own individual development plans, both in terms of training and career development.

Mindfulness

Lockdown and teleworking have brought along countless advantages into our daily life, but also some negative aspects, such as an isolation feeling and the lack of contact among colleagues. For this reason, during the month of April, it was set in motion the Mindfulness programme, some workshops to help to manage work and thoughts, aimed at learning how to manage stress levels, time and emotions.

Teleworking

Teleworking is an alternative adopted by the EDP members in response to the circumstances lived in the pandemic. Despite the major usefulness of teleworking, its use has entailed a loss of socialisation and an increase in isolation. In order to rectify this negative consequence, during 2021, virtual activities have been carried out with the focus on dialogue and social interaction, such as the Who is Who or A coffee with... workshops.

Communication

During 2021, the + Personas newsletter started to be published, as a project to bring all the human resources processes and initiatives closer to the workers. The bulletin has been especially useful as well regarding the integration of the Viesgo employees; all the courses and news have been published on it in order to favour the integration of the new employees. Throughout the year, 12 numbers of the bulletin have been sent to the entire staff and the number of visits has been 70%.

Some of the topics addressed in the monthly newsletter comprise a staff selection section with a summary of the newly-recruited employees, a training section with a list of the courses and workshops that are going to be held on this matter and a Family Responsible Company section, in which the benefits offered by EDP on this field are explained. Plus, it includes other human resources highlights of each month.

Culture Committee

After the changes experienced during the year, such as Viesgo's integration, teleworking or living with the pandemic, the end of the year was considered a good moment to reactive the Culture Committee. In this committee, since 2018, cross-cutting projects are carried out with the goal of chan-

ging, from different business areas, our work culture. In the month of December, the research process has been initiated to know the current concerns in EDP and, starting from there, we will define the challenges that must be tackled.

Recognise programme

The purpose of the Recognise programme is assessing and reinforcing the different contributions made by EDP España employees both on an individual and team/project level. Through this programme, the company recognises the merit of behaviours, actions and results that deserve to be highlighted throughout the year.

In its first series, 10 awards were granted on an individual level and 5 awards were granted to teams.

Labour rights and social benefits

The 3rd Collective Agreement of the Group is still in effect, although different negotiations processes have been carried out with the workers' representatives during 221, introducing new matters pending regulation, new organisational needs in Generation and centralisation needs in the Breakdown Service in Distribution.

Likewise, a COVID Coordination Committee was created with representatives from the different areas of the company, and another committee was created to liaise with the trade unions representing the workers from all the companies of the EDP Group in Spain, with the aim of keeping up to date the information on preventive measures to be applied and guarantee an appropriate coordination in the implementation thereof.

Plus, a Teleworking Agreement has been signed, which will regulate the situation for the post-pandemic period. This agreement was signed by all the trade unions of EDP España and Viesgo.

In 2021, trade union elections were also held in the two companies with the highest representation in the EDP España Group, EDP España and Hidrocantábrico Distribución Eléctrica, and the election process in the company EDP Clientes was initiated in February 2022 for the representation roles in the Works Committee.

Elections for the Pension Plan Control Committee were also held, using a digital platform for online voting, given the pandemic situation. The participation rate was equal to those of the previous years, constituting a reference for future election processes and other type of voting.

The Labour Affairs Committee worked throughout the year on labour matters in continuous dialogue with the workers' representatives.

Viesgo Agreement

One of the most significant milestones was the signing of the 4th Collective Agreement of Viesgo, in August 2021, with Viesgo representatives, as well as the Agreement about organisational efficiency of Viesgo Distribución Eléctrica SLU and BEGASA.

The signing of this agreement is a major milestone for the integration of this company into EDP España, unifying labour conditions in both companies with the 3rd Collective Agreement of EDP España, which expires in 2024. The signing of the agreement involves the integration of Viesgo employees in the remuneration structure level and the professional classification of EDP. The agreement contains the regulation of the labour relations among the companies included in its scope and the employees in the staff thereof.

This agreement will be in effect until 31 December 2025, and it applies to the staff covered by the agreement of the Viesgo Group companies. This agreement is a major milestone in the labour relations and in the integration process of the companies in which they currently are.

EDP is commitment to people

For EDP España, each employee's family and private life is an integral complement of the EDP Group's dimension. This means that being part of EDP involves being able to have a balance between your professional career and your individual and family interests.

Over the years, EDP España has been increasing the offer of measures to help balancing its employees' personal and professional life. In 2020, there have been more than 90 initiatives promoting balance in our employees' life related to:

- Family support
- Time and space flexibility
- Quality in the workplace
- Equal opportunities
- Professional and personal development
- Leadership and management styles

All these aspects are organised through the EDP is Commitment to People' programme, which consists in a portal in which advantages, services and healthy habits are offered to employees with the goal of making balance between the personal and professional life easier for employees. The EDP is Commitment to people programme is integrated into three lines of action:

- EDP is work-personal life balance, offering and providing services for the employees' personal life.
- EDP is healthy, an action plan based on nutrition, sports and well-being to try to improve the quality of life of EDP employees.
- EDP is Benefits Plus, an initiative that makes available for the employees who are interested a portal to access many exclusive offers of the main market brands.

Family Responsible Company (efr)

Recognising the company's practices as regards personal and professional life balance of its employees, the Fundación Másfamilia renewed the company certification, improving its rating to level B+.

EDP is certified as a Family Responsible Company on an integrated level for all its companies, having thus achieved the maximum observance of and commitment to the most demanding policies in this field on a global level. This certificate granted by the Fundación Másfamilia was renewed by an authorised external entity; the audit was performed remotely, due to the pandemic.

In this renewal, we have achieved level B+, which means that we are a proactive company, with a clear vocation for improvement on the matter. We have already internalised part of the EFR culture in the management styles and in the management processes.

For the next step, it is planned to interview employees in order to gather information about the knowledge and the use of work-personal life balance measures for an improved dissemination thereof.

Equality

Five companies of the EDP Group in Spain have specific equality plans approved in 2020. All of them gather 50 measures aimed at promoting a culture that attracts potential and talent, that fosters personal and professional development, that commits to flexibility, recognising and rewarding excellence and merits, creating an environment of respect, diversity and equal opportunities for all people.

With these new equality plans, the company keeps progressing in equal opportunities for men and women, thus contributing to achieve equality between genders as part of the foundation of Sustainable Development Goal 5.

The approved plans are the following:

- Equality Plan of EDP España
- Equality Plan of HCDE
- Equality Plan of EDP Sucursal en España
- Equality Plan of EDP Comercializadora
- Equality Plan of EDP Clientes

The development of the Equality Plan of EDP Solar and the companies of the Viesgo Group is planned for 2022 under the same parameters of the equality plans of the rest of companies.

Principles of the Equality Plan

PREVENTION	of any behaviour against equality, and contribution to the protection of effective equality values between men and women in their labour relations.
PROTECTION	in the labour sphere of the effective equality values and work-personal life balance, under the best conditions possible, of the family and work life of employees.
GLOBAL DESIGN	of the Equality Plan for all the people comprising the EDP España Group, men and women.
INCLUDING THE GENDER PERSPECTIVE	to guarantee the effective implementation of the equality principle in the entire group.
MONITORING, ASSESSMENT AND CONTINUOUS IMPROVEMENT	of the Equality Plan.
GUARANTEEING	the necessary human and material resources for the effective implementation of the Equality Plan in a work environment in which all people are treated with dignity and respect.
FAVOURING A PROFESSIONAL ENVIRONMENT	that fosters equal labour opportunities and prohibits discriminatory practices, paying special attention to the different types of harassment.

2021 data

As one of this year's highlights, a Workplace Harassment and Violence Committee has been created within the Equality Committee, and the Workplace Harassment and Violence Committee channel (CIAVL) has started operating.

This channel is organised according to article 106 of the 3rd Collective Agreement of the EDP España Group, which implements the protocol against workplace harassment and violence. Through this reporting channel, any employee may report any workplace harassment and violence they may think they might have suffered or currently be suffering, or if they believe that a person close to them is suffering this kind of behaviour.

AEMENER

During 2021, our support to the Spanish Association of Women in Energy (AEMENER) has been maintained, involving a permanent collaboration in the activities of the association to appreciate and give visibility to the role of women in the energy sector.

Among other projects, we have participated in the 'Mentoring' project, a programme aimed at female students and professionals in the energy industry, whose purpose is promoting their professional career and helping them to attain their goals and maximise their learning.

Mujeres Asturianas STEAM (MASSTEAM)

It is an education immersive guiding project through mentoring activities in companies. 22 students from the MASSTEAM programme participated in this initiative, accompanied by five EDP España mentors. The students of the programme are guided by STEAM professionals to learn about their experience and the actual application of their academic training.

VocacioneSTEAM

This initiative developed by the Quality Club and the Regional Ministry of Science, Innovation and University of the Principality of Asturias seeks to encourage scientific and technological vocation among young female students in the last year of the mandatory secondary stage and the upper secondary stage, presenting in a practical way the professional experience of women in STEAM fields in Asturias.

Futuro En Femenino

It is worthy of note the participation in the workshops of the project promoted by the newspaper El Comercio, both in the opening session and in the talk about equality for 11-year boys and girls (last year of the primary stage) of the School CODEMA in Gijón, with the involvement of the people management team of EDP España.

Voluntariado

This year is the 10th anniversary of the Volunteering Programme of the EDP Group. A decade marked by and focused on making a positive impact on society. The engagement of more than 40,000 volunteers, in partnership with more than 4,000 social organisations, has allowed to impact the life of around 2 million people.

It is being commemorated with different initiatives, which include the publishing of the first Impact Report '10 years of transformation, 2011-2021', aimed at telling the stories of this decade of transformation, also including the results and impact of the volunteering projects, the statements of volunteers who have wanted to share their experience and their overcoming stories.

Focus Group and global survey on EDP volunteering

In 2010, before the implementation of EDP Volunteering Programme, a survey was conducted among all the employees to know their interest in participating in volunteering initiatives. This year, on its tenth anniversary, has been the perfect moment to repeat such survey, which will help to devise the 2025 volunteering strategy.

The 1,840 employees who participated, out of which 67% are volunteers, have stood out the following aspects:

1. **Face-to-face volunteering**
2. **Contributing personal/professional skills**
3. Participating in projects aligned with their **personal social and environmental concerns**
4. Supporting **local-impact projects**
5. **Volunteering with colleagues**
6. Supporting **strategic projects** in which the company has a differential value

Likewise, the areas identified for performing volunteering work are:

67%
Education-related activities to raise awareness among the younger generations about energy matters

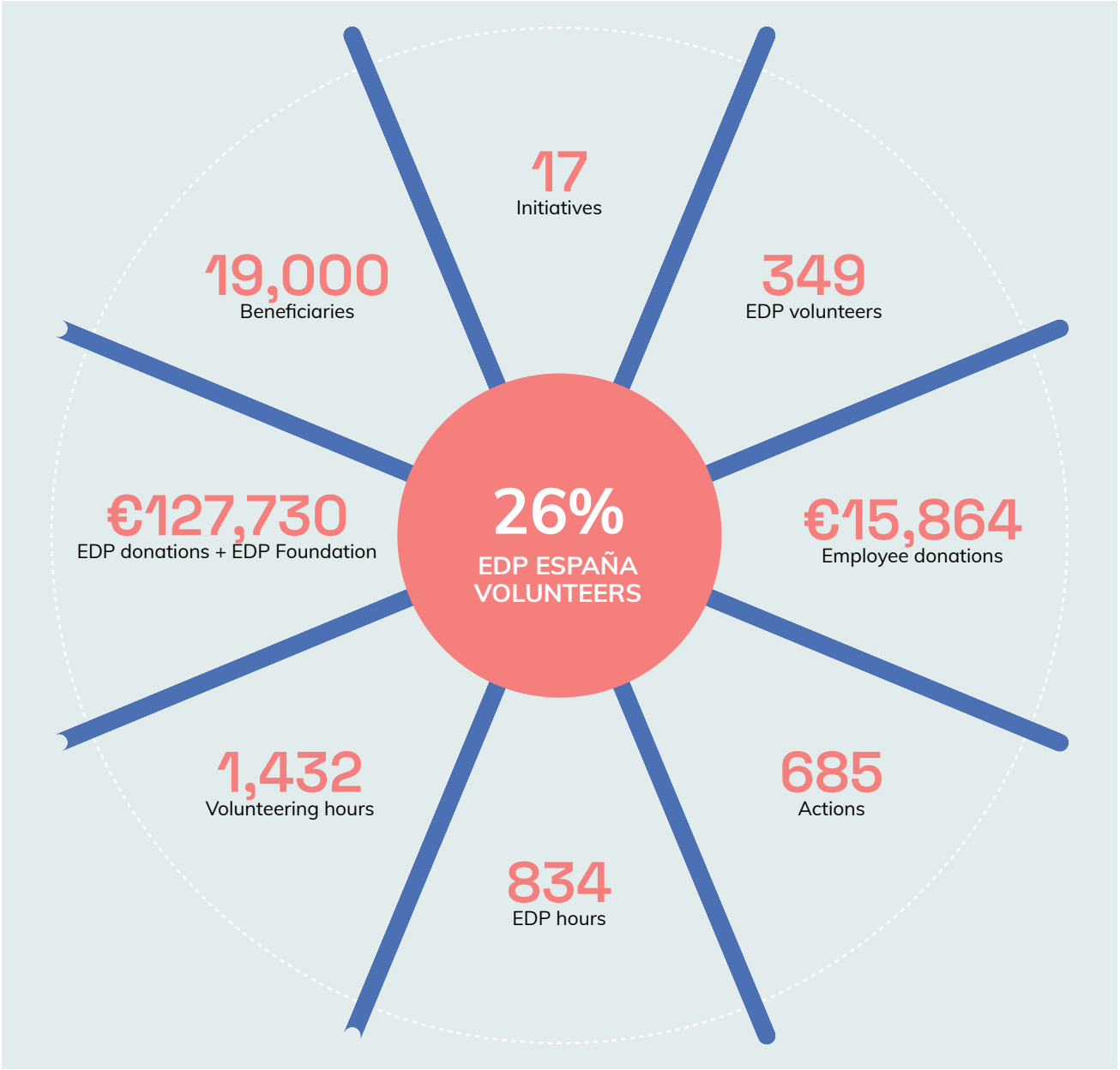
61%
Actions to improve energy efficiency of dwellings and buildings

59%
Training actions on energy saving, renewable energies and energy sustainability matters

5%
Sharing of other project/initiative ideas

As a measure to improve communication about initiatives, participation opportunities and results, in 2021, a quarterly newsletter started to be sent to all the EDP Group volunteers, which has been very well received.

In figures, already assigned to EDP España, 26% of employees have participated this year in one or several initiatives promoted by the Volunteering Programme.



Noteworthy volunteering projects of the year

1. Energy campaign

This, year, the EDP Volunteering Energy Campaign has been focused on energy from and for people. With this aim, participants were suggested to share energy in a different way, through a Solidarity Challenge in which various companies and schools, EDP employees, retired people, friends and family collaborated. Furthermore, the 'Move you heart' initiative invited to walk 3 km together with the EDP Volunteering team, with the goal of adding more energy for a good cause.

€1,530 were raised from the tickets, which were fully allocated to the Asociación Síndrome de Down Asturias. The Spanish EDP Foundation donated the same amount collected from the tickets to soup kitchens and, furthermore, it added €1 per each kilometre recorded on the app. In total, €9,476 were donated by the EDP Foundation to the Food Bank, the Soup Kitchen and the Siervas de Jesús congregation.

This Solidarity Challenge was also taken to schools, in order to add energy from the children's energy, who contributed €1 per kilometre done in a relay race. Thanks to the participation of the 1,490 Preschool and Primary children from the schools Verdemar in Santander, Rio Piles in Gijón, and Germán Fernández Santos and Dulce Nombre de Jesús in Oviedo, 858 additional km were contributed. For their help, the little ones were gifted aprons to colour and the Primary students were given a Dymo torch.

Thanks to everybody's energy, €11,900 were raised. The EDP Foundation contributed an equal amount, donating €4,000 to the Soup Kitchen, €4,000 € to the Food Bank and €4,000 € to the Breakfasts served by the Siervas de Jesús congregation.

€23,900

THANKS TO EVERYBODY'S ENERGY AND THE EDP FOUNDATION

2. Emergency response: victims of the volcano in La Palma

By the end of November, the employees requested an initiative to help the victims of the volcano in La Palma in the emergency situation.

In addition to the employees' donations, the EDP Foundation contributed €15,000, reaching the figure of €26,522, which were donated through Cáritas to directly help the 600 people from the 220 families from the island of La Palma, in Santa Cruz de La Palma and Los Llanos de Aridane.

With the numerous solidarity contributions received, Cáritas Diocesana in Tenerife has enabled and fitted out some premises assigned for the rehoused population, who were also given staple items. Likewise, the families have received economic support through supermarket vouchers and the implementation of solidarity bank cards.

€26,522

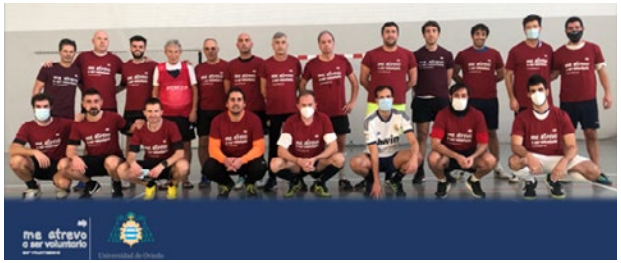
WHICH WERE DONATED THROUGH CÁRITAS

3. 2021 Christmas campaign

This year, the Christmas campaign included 8 initiatives, 478 actions, 319 EDP volunteers, 1,476 direct beneficiaries from 7 beneficiary organisations and a total of 420 volunteering hours.

Among the initiatives, we can mention Solidarity Oil, which repeated this year and raised €1,876 allocated to Fundación Emalaikat for the creation and repair of wells in Turkana and Nyangatom.

The solidarity sports initiatives consisting in a solidarity paddle tournament and an EDP Volunteering solidarity football mini-league were also very well received, resulting in the purchase of 200 vacuum flasks for the soup kitchen managed by Siervas de Jesús.



Another initiative of the Christmas campaign has been carried out with the Association for the Support of People with Cerebral Palsy (ASPACE), which decorated bottles with Christmas motifs, the sale of which allowed to raise funds for their Musical Therapy Workshop. The calendar of the Asociación Down Asturias was also for sale to support such organisation.

Lastly, 'Haz de Rey Mago' is still one of the initiatives best received by employees. This year, they have spread magic and smiles to 93 families without resources, whose little ones saw the wishes in their letters to Santa came true. And we also brought Santa and smiles to Bilbao, where toys were collected for 10 more children from vulnerable families identified by Cruz Roja.

8 INITIATIVES	**1,476** DIRECT BENEFICIARIES
478 ACTIONS	**7** BENEFICIARY
319 EDP VOLUNTEERS	**420** VOLUNTEERING HOURS

3.3.3. Sustainability in the value chain

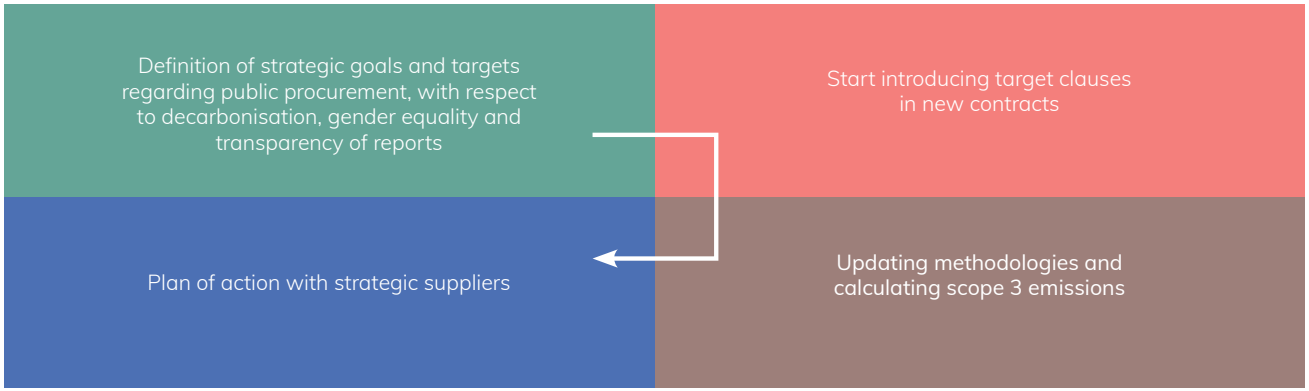
To guarantee sustainability in the entire value chain, EDP is aware of the importance of getting partner companies involved. The collaboration between EDP and its chain value promotes, by way of example, transparency, decarbonisation and a reduction in the social and environmental impacts.

For its management, a Specialised Sustainable Procurement Committee has been created, integrated in the Sustainability Committee, comprised by the sustainability, procurement and stakeholder management, ethics, audit, compliance and business continuity.

Some of the highlighted aspects are the following:

- Ethics: training for service providers (contractors)
- ESG assessments: ESG audits of critical suppliers
- Approval of two new policies, with a prescriptive nature, applicable to all their decisions and business transactions, including the supply chain: human and labour rights policy and integrity due diligence procedure for suppliers and third parties.

SUSTAINABLE PROCUREMENT STRATEGY



OUR VALUE CHAIN GOALS	2025 TARGET
Systematically reducing accidents	0 accidents
Protecting human rights in the supply chain according to Ruggie principles – Global Compact	100%
Auditing suppliers with critical ESG risks	100%
Assessing 100% of critical suppliers on sustainability matters	100%
Environmental certification of suppliers exposed to high risks	100%
Health and safety certification of suppliers exposed to high risks	100%

Supplier management process

Through the EDPartners programme, the Groups guarantees the integrated coordination of all the activities related to sustainability in the value chain.

Thus, a supplier criticality analysis is established, defining minimum ESG requirements in each contract, which all the suppliers must accept and meet, since they are not subject to negotiation, and, according to the specific risk of the supply, they may include the requirement to submit certifications in quality, environmental and occupational health and safety management systems or even their direct audit.

The minimum sustainability requirements are defined in the Supplier Code of Conduct, the Procurement Policy and the Contractual Conditions. Likewise, there is a supply recording system which, together with the rating and assessment system of EDPartners, allows to improve performance in the supply chain.

Specifically in EDP España, during 2021, 99 critical suppliers have been identified, and all of them have been audited based on sustainability criteria and have been communicated their performance, as well as the areas and aspects to be improved. In terms of data obtained, the quality of the provided service has been rated 90 points (out of 100); environmental matters, 99.5; occupational health and safety management, 91; and ethics and human rights, 100.

Aligning suppliers with the ESG goals of EDP	**Guaranteeing** human and labour rights	**Promoting** transparency and reporting	**Decarbonising** the supply chain	**Developing** ESG strategic alliances	**Guaranteeing** integrity and compliance	**Promoting** circular economy

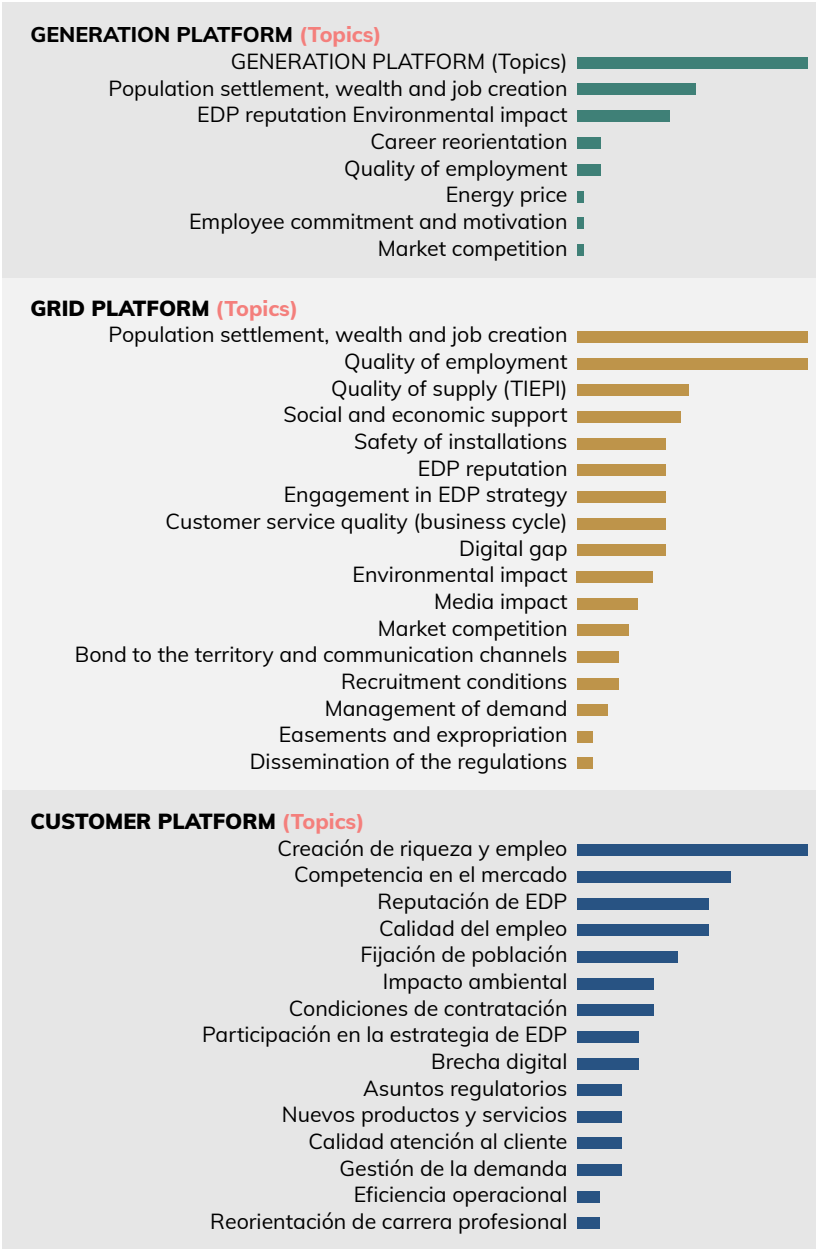
3.3.4. Projects and activities with the stakeholders

The stakeholders of EDP España are grouped into four main segments: Value Chain, Market, Democracy and Social and Territorial Environment.

After reviewing the corporate strategy and the business plans of the Generation, Grid and Customer Platforms in their activity in Spain, and following the stakeholder relationship model of the Group, during 2021, the external and internal vision of the stakeholders have been analysed in order to identify the most relevant aspects for each segment and/or group, including both negative and positive aspects, current or in the medium or long term. Its purpose is to appropriately manage the needs and expectations of each stakeholder and identify risks, opportunities and potential alliances.

Thus, the topics of interests are identified in the charts below for each platform. The topics that involve the stakeholders of the democracy and market segment are related to the reputation, quality and impact aspects and are managed through the direct relationship with each of them.

In this sense, and within the framework of activities of the DASIC, qualitative personal interviews have been conducted on opinion leaders and benchmarks within these stakeholders, which allow us to continue with our strategy of effective monitoring and visibility actions by continuously participating and collaborating in sustainability indices, projects, task forces, forums, conferences and events, as stated in a non-exhaustive way in section 2.3.4 of this report.



On the other hand, all these topics affect, to a greater or lesser extent, the stakeholders of the Value Chain segment, mainly, employees, suppliers and customers.

Thus, the topics that affect employees are identified and prioritised, which, together with the results of the annual Climate Survey, allow to define Action and Improvement Plans with recommendations of the Sustainability team focused on the most relevant topics.

With regard to suppliers and the topics that affect their activities the most, together with the management processes led by Purchases, the Sustainability Division establishes a continuous dialogue with them through the Supplier Voice project. This project is based on qualitative personal interviews, in which the needs and potential areas for improvement are identified, increasing transparency and open communication with our suppliers. This eventually helps us to identify the best practices and their operation in the entire value chain.

EDP España participation in EcoVadis, as a sustainability assessment platform, not only allows to improve the reputation and position of the company as ESG leader, but it also strengthens its ties with qualified customers, which increasingly demand this type of ratings in sustainability indices.

Local communities are one of the priority groups in the social environment and territorial segment.

In the current context of energy transition and faced with the closing/restructuring of the coal plants, the priority local communities are the municipalities in which these facilities are located, given their direct impact, but also the surrounding municipalities, as set out by the current Just Transition Committees Agreements (Caudal-Aboño, Valle del Guadiato and Campo de Gibraltar).

Other municipalities are also priority under the concept of social license to operate. In the Generation Platform, this category is assigned the municipalities with hydraulic assets; in the Grid Platform, rural municipalities risking depopulation; and in the Customer Platform, the action is linked to areas in which there are relevant marketing campaigns and/or positioning.

For their management, EDP España has a 2020-2021 Local Community and Town Council Action Plan. The initiatives developed within this plan are part of the Social Investment Plan of EDP España according to the Social Investment Policy of the EDP Group.

ENTAMA

In June 2021, the third series of the Entama programme was launched. This time, as its main novelty, the geographical scope has been extended, maintaining the municipalities of the areas surrounding the Generation power plant that had already participated in previous years (Carreño, Ribera de Arriba, Proaza, Morcín, Quirós, Somiedo, Belmonte, Santo Adriano, Caso, Tineo, Teverga and Sobrescobio), and including all the other Asturian municipalities considered small, according to the framework of Law 45/2007, on Rural Sustainability, that is, those that have less than 5,000 inhabitants or whose population density is lower than 100 inhabitants per square kilometre. This way, the scope of the Entama programme is extended to 100% of the Asturian territory covering the areas of influence of EDP Redes España.

This year, 22 new applications from 14 municipalities have been received, 8 new projects being accepted.

During 2021, the progress of the 2019-2020 Entama projects (16 projects) has been monitored, being in all cases satisfactory. Up to date, 25 direct jobs have been created.

In 2022, it is expected to extend the programme to the municipalities of Valle del Guadiato (Córdoba), Campo de Gibraltar (Cádiz), Lugo and Cantabria.

Position of the programme

The book La Agenda 2030 en Asturias: Buenas prácticas empresariales y organizativas, prepared by a research team of the Business Management Department of the University of Oviedo singles out the Entama programme as an example of good practices with an impact on the 2030 Agenda and the Sustainable Development Goals in Asturias. Entama is included in the Prosperity block, as an initiative that promotes economic development and job creation in an inclusive way.

Likewise, Entama has been recognised as a corporate Good Practice by the Chambers of Commerce of Asturias, within the Development and promotion of 2030 Agenda SDGs in Asturias project.

Other entities that have highlighted the programme in 2021 has been the Quality Club or the Observatory for Inclusive Growth, among others.

Go!ODS awards

The Entama programme has been recognised in the third series of the Go!ODS awards as the initiative that best contributes to the compliance with SDG 11 (sustainable cities and communities).

The Go!ODS awards, organised and managed by the Spanish Network for the UN Global Compact, recognise and support those innovative projects that contribute to the UN Sustainable Development Goals. These goals establish the specific targets that must be achieved in the coming decade to ensure everybody's prosperity as part of the new sustainable development agenda.

The goal of the Entama project is to generate wealth, create employment and settle rural population by supporting local proposals that have the capacity to generate added value and economic growth in a sustainable way and with future prospects. Thus, EDP has promoted tourism, organic farming and elderly care initiatives.

The Entama is aligned with 2030 Agenda and has a direct impact on SDG 11, through the promotion of employment under conditions of equal opportunities and inclusion, supporting the launch of sustainable projects in the rural areas.

Engagement and dialogue

New communication channels have been opened with town councils and other neighbour associations. We should highlight our contact with the town councils in which the thermal power plants are located, Ribera de Arriba and Carreño, as well as with the town councils in the areas of the hydraulic plants, paying special attention during this year 2021 to the councils of Belmonte de Miranda, Caso and Sobrescobio.

New channels have been also established with the council of Tineo or Foz, in the municipality of Lugo, in this case bearing in mind the geographical extension of EDP Redes España.

Commitment to the community

Based on the budgets assigned to the production centres, local sponsorship and support initiatives have been maintained, in coordination with the DASIC, to guarantee their alignment with the Social Investment Plan. By way of example, tablets have been given to associations/groups with special needs, and we have collaborated in the improvement of the lighting system in the Guimarán church, among others.

Job creation

Procurement with local suppliers, new suppliers from the municipalities included in the plan have been incorporated.

Technology camps. Once again, this year, the success of local technology camp programmes from previous years repeats itself. These are camps that seek to bring new technologies closer to children aged from 10 to 15. In 2021, they were organised in the municipalities of Proaza, Quirós, Sobrescobio, Caso, Tineo, Carreño, Belmonte, Morcín, Ribera de Arriba and Teverga, attended by more than 120 children.

As an aspect to be highlighted, the coordination of these camps in the summer season makes work-family balance easier for families. This fact, along with the own contents of the programme, result in an excellent satisfaction rating reported from town councils and official bodies (rating of 4.5 out of 5).

Environment

Environmental projects: during 2021, projects have been developed under the Kayak Oviedo agreements for the study and preservation of the ecosystem of the Nalón river, and with BTT Monte Areo to recover the ecosystems and promote care and respect for the environment in the Areo Mount area.

New Local Community Perception Survey

All the initiatives that have been implemented to date were a response to the results of the Local Community Perception Survey conducted in 2019, which identified job creation, the environment, depopulation, and participation, dialogue, and engagement with the community as important issues.

Following the strategic review of the EDP Group, the business plans of the platforms and the approval of the EDP España 2021-2025 Sustainability Plan, we proceeded, following the stakeholder relations methodology, to develop the internal vision, i.e., the identification of important issues for stakeholders from an internal perspective.

Once this first step has been completed, it is complemented with the external vision, a key stage in the management methodology. During this phase, we listen to stakeholders directly and proactively in order to go beyond formal requirements and add value.

As an external insight into local communities, a new series of the Local Community Perception Survey has been launched in 2021, as a two-year process. The ultimate aim of the work is to find out the issues of interest to the local community associated with EDP's activities in Spain in order to have a comprehensive analysis of the communities/areas impacted, such as inquiring about the current situation and the trends in stakeholder perception of energy companies and their performance, interaction and commitment to the communities in which they are integrated, etc. Likewise, the ultimate aim is also to make recommendations at a high level to redesign the Action Plan in line with the needs and expectations of the local communities in which EDP España operates, and to align it with the Strategic Plan's social investment axes: 'just transition', 'licence to operate', and 'leave no one behind'.

In this new edition, the areas have been extended to include the Autonomous Communities of Asturias and Cantabria and the provinces of Lugo, Cadiz, and Cordoba. The selection of the target municipalities has been carried out retaining those in which there are generation facilities, to which the municipalities of Los Barrios (Cadiz) and Espiel-Valle del Guadiato (Puente Nuevo) have been added, together with municipalities in Asturias, Cantabria, and Lugo in which there are projects or significant investments planned by EDP Redes España.

The study involves a socio-economic assessment of the selected areas and a second phase of perception studies, with a quantitative analysis, through a telephone survey. This is in addition to a qualitative approach, with in-depth open interviews with opinion leaders, stakeholders, and local partners using a semi-structured thematic script through which it is possible to detect their needs in line with the Social Investment Plan.

The studies have been carried out in Asturias, Cantabria, Lugo, Valle del Guadiato (Cordoba) and Campo de Gibraltar (Cadiz), with a total of over 1,500 interactions. The results highlight aspects of businesses that are increasingly inclusive and present in regions, as social agents involved in the local area and with participation in their social life. This in addition to support for the development of economic activities and aspects of sustainable tourism, and the fight against depopulation, with innovative aspects such as the 'green desert', in reference to municipalities at extreme risk of depopulation.

EDP Suma+

The EDP Suma+ programme has been designed as a global programme in EDP España to bring together the different projects and activities relating stakeholder management, through standardise strategic programmes and projects:

1.

EDP ENTAMA
Programme to support local entrepreneurs aimed at projects that have the capacity to generate added value and economic growth in a sustainable way and with future prospects, assigned to the areas of influence of assets.

2.

Mi entorno EDP
Environmental projects to be developed with a local partner under the premise of creating shared value, which must include a social compensation. Projects with a positive impact on natural capital and biodiversity will be promoted, as well as the improvement in ecosystem services.

3.

EDP Joven
Support to children and teenagers in the local communities, mainly with the focus on acquiring skills for improving their future employability and promoting STEM vocations

4.

EDP +Cerca
Activities that improve EDP reputation, with presence on the field through citizen engagement, leisure and support to maintaining public areas.

5.

EDP Partners
Programme to develop joint projects with technology platforms, business partners, ESG associations, and education and university community.

6.

EDP km0
Reduction of the environmental and carbon footprint in the supply chain, supporting local employment and consumption, and promoting circular economy.

3.4. Solid governance structure

3.4.1. Ethics

Ethics is one of the essential pillars of human activity and, consequently, of business activity. Following this line, EDP's leadership in the energy sector is driven by ethical conduct that governs the company's actions in the delivery of its products and services, the well-being of its employees, and fairness in its relationships with its stakeholders.

EDP has followed a long and steady course in business ethics, marked between 2005-2012 by the establishment of its 'ethical foundations', with the drafting of its first Code of Ethics and the creation of the Ethics Ombudsperson, an independent and impartial figure that analyses all ethical issues that may arise.

In a second period, between 2012 and 2018, ethics management built the 'EDP ethics building', through the creation of organisational and collaboration mechanisms, the enhancement of training, the extension of the ethical culture to the value chain, and the implementation of the external evaluation of ethical performance.

Currently, the focus is on excellence, with a planned ethical management, coordinating the reinforcement of the ethical infrastructure and its enhancement to ensure that ethics is present in decision-making processes and in the day-to-day running of all businesses and activities. This is the ethics programme 'Building the Ethical Building @EDP' designed for the three-year period up to 2021.

The latest revision of the Code of Ethics took place at the end of 2020, with an updated version for the current circumstances, reinforcing the Group's ethical culture and making it easily accessible to all by digital means.

The Code of Ethics is divided into four principles that are considered 'material' for EDP. These principles are as follows:

- A people-centred company, where the well-being of employees is prioritised through management policies aimed at providing high levels of professional satisfaction and achievement, a safe and healthy working environment, commitment to and promotion of human rights, a culture free of any kind of harassment and promoting diversity and inclusion, and representing of the company through ethical behaviour.

- Building and maintaining trusting relationships, promoting the fostering of trusting relationships with stakeholders, sharing value with shareholders, customers and suppliers, respecting their expertise and combining environmental and social responsibility, particularly in the communities in which it operates.

- Focusing on the transformation of the energy sector, with the environment as a valuable asset that must be preserved, positioning ourselves as leaders in the energy transition, joining the digital revolution and working as a company committed to cooperating and supporting entrepreneurship.

- A guarantee of integrity, complying with EDP's integrity policy, which ensures compliance with the legislation, principles, and standards adopted.

To guarantee all the company's ethical aspects, together with the activity of the Ethics Provider, an Ethics Committee is in place. This committee is the body that analyses the situations reported and issues a ruling on whether they should be classified as a violation, with the opening of the corresponding investigation. Lastly, when the investigations are completed, a ruling is issued to the Corporate Governance and Sustainability Committee (CGSC) and the General Supervisory Board, which will decide on corrective measures, including changes to company policy or changes to working methods.

In March 2021, the configuration of this Ethics Committee was changed, as was its name in Spanish, chaired by the CGSC and with a smaller number of members and representatives from the committee itself, the Group companies, and the responsible corporate management.

As data reflecting transparent ethical management, during the 2021 financial year, 22 complaints were received via the ethics channel, of which 19 were inadmissible, as they referred to businesses that no longer form part of the corporate structure of EDP España (complaints related to the B2C segment). The remaining three complaints have been duly handled and all of them have been closed with satisfactory solutions for those who made the complaints.

Training is recognised as one of the main tools to prepare and give confidence to employees on ethical issues. Good planning, quality content, and appropriate training formats are vital for the success of these initiatives.

Thus, during 2021, two e-learning training sessions were organised in collaboration with the EDP University:

- 'Ética es valor. 15 años de edificio ético de EDP' (Ethics is value. 15 years of the EDP ethical building', with a participation rate of 74.4%.
- 'La voz de los empleados sobre la ética en EDP' (The employee voice about ethics in EDP), with a participation rate of 40%.

As regards ethics in the value chain, the preparation of a Communication Plan for the dissemination of the Code of Ethics among all the stakeholders is under way.

EDP has been recognised as one of the most ethical companies in the world

EDP was once again declared by the Etisphere Institute as one of the most ethical companies in the world, standing out as one of the nine companies in the Energy and Utilities sector of the index. EDP has been part of this index uninterruptedly for 10 years.

This distinction recognises the commitment of the Group to good management and corporate ethics practices and the way it has implemented and developed them in all the geographical areas in which it is present. An international distinction that reflects the continuous reinforcement of EDP ethical culture and the relationship of trust with its stakeholders.

Ethisphere Institute distinguishes the companies that lead with integrity and prove that their management practices are in line with the ethical principles and commitments.

2021 WORLD'S MOST ETHICAL COMPANIES™
WWW.ETHISPHERE.COM

3.4.2. Human and labour rights

EDP has been a signatory to the Global Compact since its inception, promoting the ten principles in all its activities and value chain: Human and labour rights, environment, and anti-corruption.

In the internalisation of human and labour rights management, in May 2017, the Executive Board of Directors approved the EDP Group's Declaration of Respect for Human and Labour Rights, which, like the rest of the policies and principles, is applicable to all the Group's companies.

This statement took the Guiding Principles for Business (Ruggie Principles) of the UN Human Rights Council as a reference, including the preparation of risk maps, more in-depth reporting on human and labour rights management, and the improvement of internal procedures, especially in the management of the supply chain.

As a next step, and within ESG excellence, a robust governance structure on human rights was created, which is why it was necessary to update the related policies and procedures. As a result, in July 2021, the Executive Board of Directors (CAE) approved a new Human and Labour Rights Policy.

The aim of this policy is to guarantee respect for human and labour rights in the EDP Group's sphere of activity, implementing the commitments defined in its policies, specifying the relevant international treaties and standards and establishing the procedures that guarantee compliance with them.

New human and labour rights policy

THESE ARE THE PRINCIPLES OF ACTION THAT GOVERN THIS POLICY:

Identify, prevent and monitor risks related to relevant human and labour rights in its business, developing and keeping updated a map risk regarding human and labour rights.

Guarantee that it will not be an accomplice to abuse or non-observance of human and labour rights.

Recognise employees and their families, local communities and any other person or group whose life and environment may be affected by EDP activities, including their legitimate representatives, trade unions and social or environmental organisation, **as stakeholders.**

Constructively commit to its lobbies, especially those that are or may be affected by its activities, incorporating their opinions and concerns in business decisions and in the development of its human and labour rights strategy.

Avoid the adverse impacts that may be resulted from the business operations or relations, guaranteeing to redress them if they occur, and undertaking not to take retaliation against the accusations, and cooperating in initiatives that promote access to redress through judicial or out-of-court mechanisms.

Guarantee the proper functioning of an incident notification and complaint filing system, guaranteeing confidentiality and non-retaliation.

Communicate and transparently report about its human and labour rights strategy, identifying risks and impacts, mitigation, offsetting and remedy measures adopted and the results of such actions.

Extending the same commitments to its business partners and suppliers, working to extend those commitments to their supply chains and business associations.

Work with its partners and suppliers to mitigate the adverse impacts directly related to their operations, products or services through their own mechanisms or through cooperation in reaching third-party out-of-court solutions.

This policy applies to all the companies and employees of the EDP Group in Spain and supplements other policies and codes such as the Code of Ethics itself, the Stakeholder Relationship Policy and the Supplier Code of Conduct.

To ensure the effective management of respect for the established human and labour rights, a Working Committee has been created, chaired by the CAE and made up of corporate directors with ESG responsibilities, i.e., ethics, sustainability, compliance, legal, audit, management and labour relations, purchasing and supplier management, and prevention and safety, risk, and stakeholder management.

In the interest of transparency, EDP publishes on its corporate website a report on its performance in the area of human and labour rights, which includes the material assessments related to the respect of these rights. The aim of this report is to provide EDP's stakeholders with a comprehensive overview of the risks and challenges faced by the company, the way in which they are addressed, and the importance they have for day-to-day activities.

3.4.3 Compliance

Compliance with legislation and regulations, both external and internal, is a core commitment for the EDP Group, obliging its entities, employees, and service providers acting on its behalf, to conduct themselves in accordance with this commitment, not condoning the carrying out of any acts or omissions that constitute a violation or non-compliance with the rules.

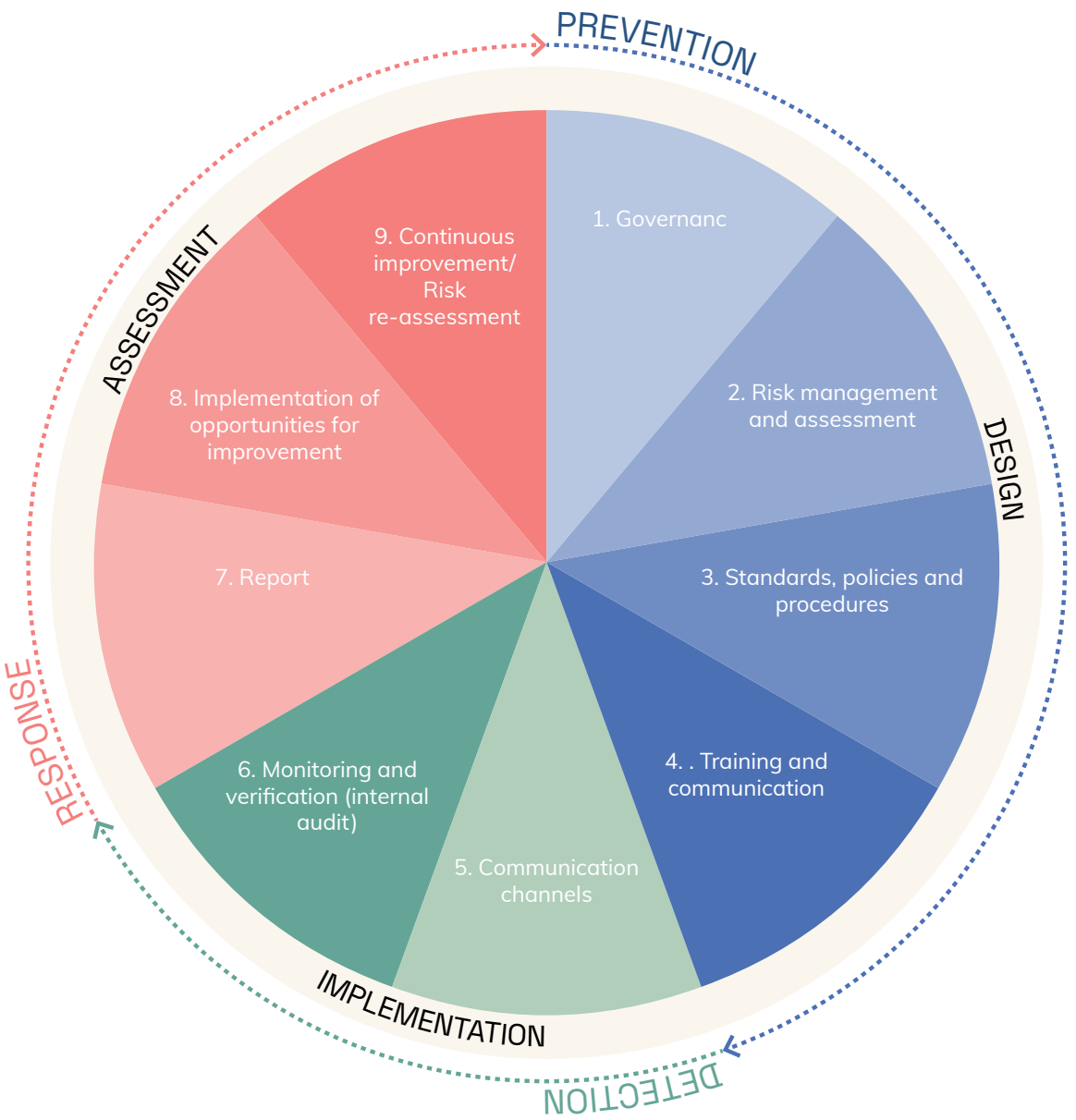
To this end, EDP adopts a 'zero tolerance' compliance policy with regard to any type of act that does not comply with the applicable legal and regulatory standards, based on the principles of transparency and fairness, with regard to the prevention and fight against illegal acts, including practices associated with bribery, corruption, money laundering, and the financing of terrorism, among others.

In line with this 'zero tolerance' compliance policy, the Compliance Department (CD) was created, whose responsibi-

lities are to promote respect for and compliance with the law and regulations in force in all the areas where the EDP Group operates through the implementation of a Compliance Management System aligned with international best practices in risk management, internal control and fraud prevention. This includes the ISO 37301 methodology and COSO (Committee of Sponsoring Organisations of the Treadway Commission).

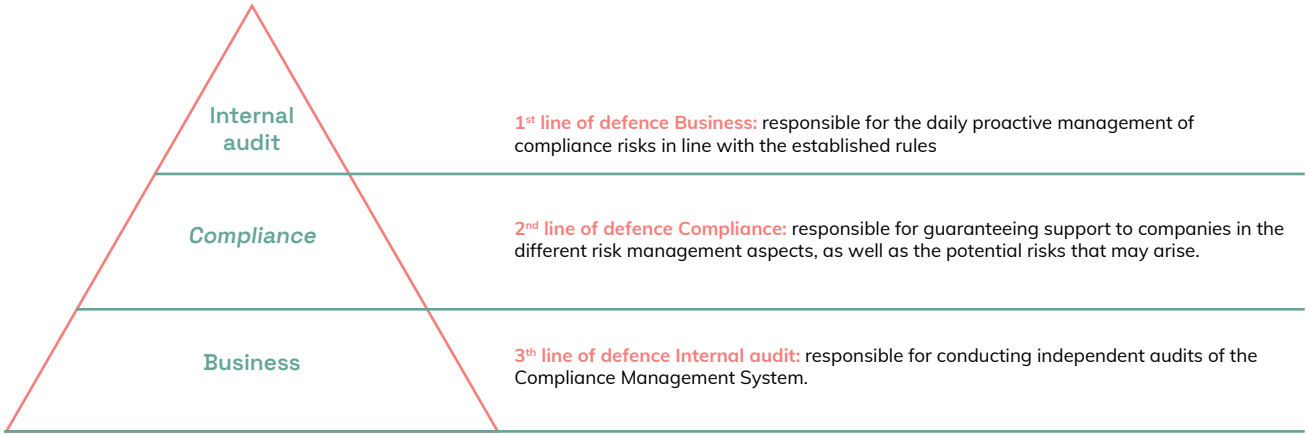
EDP's Compliance Management System consists of nine components, grouped into three main principles, as shown in the diagram on this page. This management system results from a Global Compliance Programme (GCP) composed of various Specific Compliance Programmes (SCP), namely: (i) Integrity/Anti-Corruption, (ii) Personal Data Protection, (iii) Competition, (iv) Anti-Money Laundering, (v) Separation of Activities, (vi) Environment, (vii) Health and Safety, (viii) Internal Financial Information Control System; enabling the alignment of compliance management guidelines and methodologies across the organisation and the different regulatory areas.

COMPLIANCE MANAGEMENT SYSTEM



The governance model of the EDP Group is based on an internal control system based on three lines of defence, aimed at identifying and properly managing the risks derived from its activity, under which the Compliance function is the 2nd line of defence, Business is the 1st line, and Internal audit, the 3rd line.

In hierarchical terms, the Compliance function reports to the Executive Board of Directors and submits a functional report to the General Supervisory Board, through the Financial Matters Committee /Audit Committee, thus ensuring the monitoring of its activity by these two corporate bodies. The Global Compliance Programme, as well as the specific programmes, are monitored by the Compliance function, and they are regularly subject to internal and external audits, which may lead to the identification of opportunities for improvement in compliance management.



Integrity

The commitment of the EDP Group to promoting integrity management and prevention of the perpetration of illegalities make that this policy and the principles contained herein are actively reviewed and updated. In this regard, in December 2020, the second version of the Integrity Policy of the Group was approved.

The purpose of the EDP Integrity Policy is defining the principles of action of the Group companies, employees and business partners, promoting and ethical and upright behaviour in the development of business. These principles of action are used to prevent the perpetration of crimes such as corruption, money laundering, terrorism financing, anti-competitive practices and infringement of data protection regulations.

Through the implementation of a zero-tolerance policy regarding any action that goes against the law, EDP commits to carry out its activities in strict compliance with the current laws and regulations.

The Executive Board of Directors is the body responsible for setting out the objectives, and approving and implementing the management policies and models of the Company and the EDP Group, specifically, the Integrity Policy, the Global Compliance Programme and its respective governance model. Particularly, the Compliance Division (DCO) is responsible for the development of the Global Compliance Programme, ensuring the identification, assessment, monitoring and reporting of risks relating legal or regulatory non-compliance.

This governance model establishes the responsibilities and the duties of the top management, the different relevant management areas, the Compliance areas of the different Business Units, and the respective interlocutors in the different entities, as well as the relationship model between all these stakeholders.

The Compliance department is responsible for regularly monitoring this policy, and it acts as an adviser for the matters raised about integrity, providing answers about the right actions to take. Furthermore, The EDP Group offers a series of channels for reporting irregularities regarding the Integrity Policy, such as the Whistleblowing channel, the Data Protection Officer (DPO), the Ethics Channel, the Irregularity Reporting Channel and the DCO itself.

The Integrity Due Diligence procedure conducted by EDP on the third parties with which it has a relationship includes suppliers, business partners, counterparties and beneficiaries of sponsorships and donations, candidates to associates and other third parties under the money laundering and terrorism financing regulation. It is based on a combined analysis of specific criteria on third party information, such as country of location, business sector, and reputational and ESG risk, among others, and verification and analysis of a set of potential risk factors, taking into consideration, to name a few, the references in international lists of integrity-related sanctions, convictions and judicial proceedings (money laundering, corruption, organised crime, environmental crimes, labour infringements, etc.), as well as the analysis of adverse news in this field. In 2021, 485 third-party due diligence were conducted by the companies of EDP España.

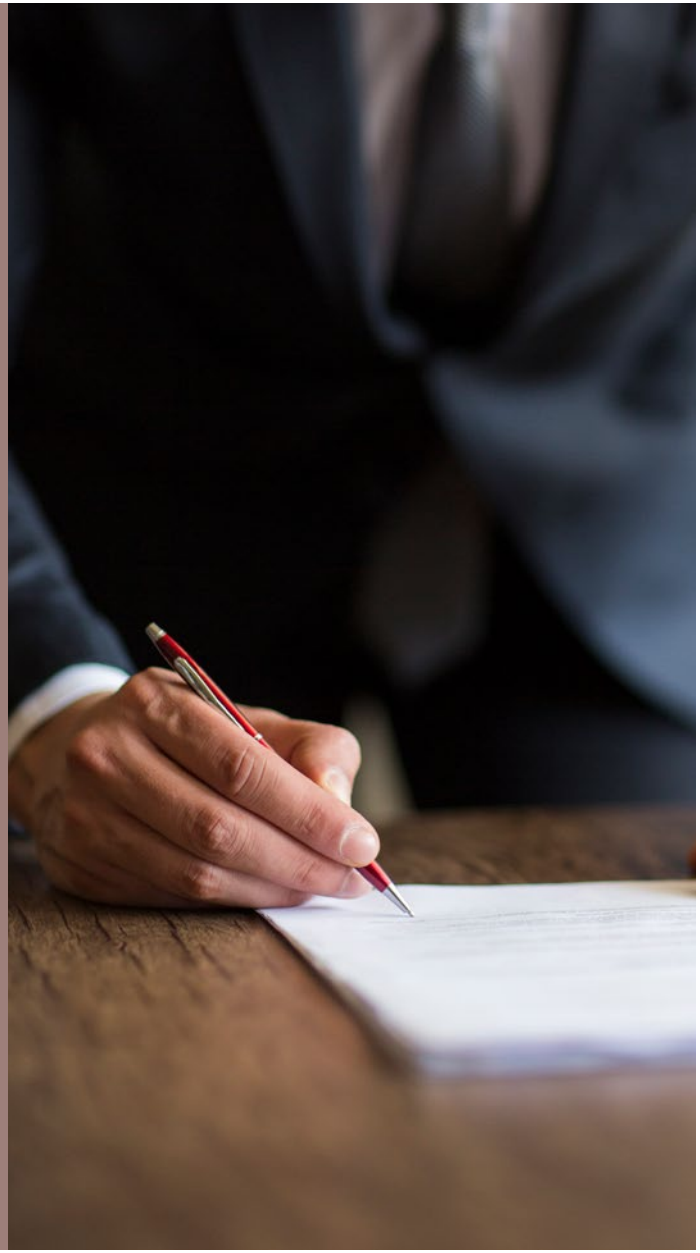
The analysis of these risk factors results in a direct rating assigning, in a growing risk logic. As a consequence of such rating, safeguards are included, ranging from the inclusion of liability and compliance clauses, monitoring clauses, specific acceptance of EDP compliance terms or the transaction requiring the specific approval by the company's directors.

Principles of the Integrity Policy

GENERAL PRINCIPLES

It is strictly forbidden to carry out practices or display behaviours that may constitute, seem to constitute or contribute to the following situations:

- corruption;
- bribery, including facilitation payments;
- money laundering and financing of terrorism;
- peddling;
- embezzlement or economic interest in business;
- fraud, extortion;
- other crimes against the delivery of justice;
- insider trading;
- crimes against data protection and privacy;
- crimes against the environment and safety;
- anti-competition practices;
- financing/associating the EDP brand to political parties, candidates or political campaign/ candidature structures or related entities;
- discrimination of customers or counterparties on the grounds of ancestry, gender, race, language, territory of origin, political or ideological beliefs, education, economic situation, social status or sexual orientation.



Data protection

The strict respect for the privacy of customers, employees, service providers, suppliers, partners and other stakeholders is assumed by EDP as a maxim to be followed in its activity throughout the value chain. Therefore, personal data protection is a specific significant aspect of the Global Compliance Programme.

The Group companies regulate specific privacy policies based on the compliance risk management, the content of which is known by all the personal data subjects covered and applied to the entire cycle of the data processing performed, whether by companies or by service providers.

In the privacy policies, as well as in other informative documents about personal data processing activities, the companies of the EDP Group make available the contact details of the respective DPO, as well as the contact of the data processing entity itself, through which data subject may exercise their personal data protection rights, request information or clarification about their data and file complaints.

FGPD safer data

In 2021, the Group om Grupo implemented a new software internally known as Personal Data Protection Management Tool (FGPD) to guarantee an increased automation in the management of internal processes related to the Specific Compliance Programme for personal data protection.

The FGPD provides an increased efficiency in internal processes through the centralisation of the main elements of the programme by using templates, facilitating works flows and guaranteeing tighter data security, as well as the traceability thereof.

‘From the point of view of institutional relations, during the 2021 financial year, we have worked together with public administrations and associations such as Chambers of Commerce (Oviedo, Gijon, Santander, and Aviles), and FADE, CEOE, and FAEN, in search of support for the defence of our main projects that are candidates for obtaining European funds. We are referring to the projects related to the location of our coal-fired power plants such as the Aboño Hydrogen Valley, the Soto de Ribera storage project, the Barrios and Puente Nuevo green energy projects and also to the floating wind farm project in western Asturias.

In the Information Technology area, I would firstly like to highlight the great work carried out by the systems team to provide back-office services, alongside the migration of commercial applications, which is expected to be completed by the end of the first half of this year. Secondly, I would like to mention the project completed in the last quarter of the year to define the joint architecture of the distributors' systems (E-Redes, Viesgo, and Begasa), the implementation of which will enable us to unify the processes of these distributors and therefore obtain significant synergies.’

Luis Álvarez Arias de Velasco
Institutional Relations and IT


HUMAN
Diverse and inclusive,
for generations to come.

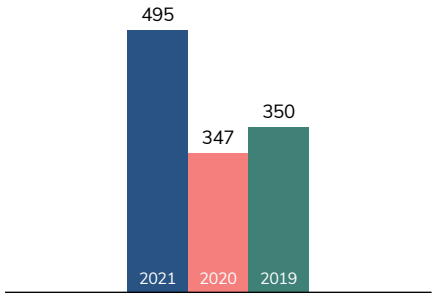
04 — DATOS PLURIANUALES

4.1. Year-to-year data

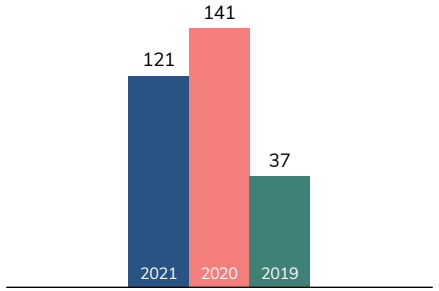
4.1.1. Financial indicators

FINANCIAL INDICATORS	U	2021	2020	2019
Turnover	€M	3,515	2,586	3,056
EBITDA	€M	495	347	350
Net Profit (profit after tax)	€M	121	141	37
Operating Investments	€M	160	95	74
Net Debt	€M	2,076	1,339	-137

EBITDA €M



Net profit €M



ENVIRONMENTAL EXPENDITURE AND INVESTMENT	U	2021	2020	2019
Air and climate protection	€M	6.3	16.1	0.6
Water management	€M	4.3	5.6	11.2
Waste management	€M	11.7	11.6	9.8
Soil and water protection	€M	0.0	0.1	0.1
Noise and vibration reduction	€M	0.0	0.1	0.2
Biodiversity protection	€M	9.4	2.8	2.9
Landscape protection	€M	0.0	0.0	0.0
Energy efficiency	€M	4.0	5.2	8.6
Environmental research and development	€M	0.3	0.4	0.6
Other environmental management and protection activities	€M	1.6	1.7	1.9

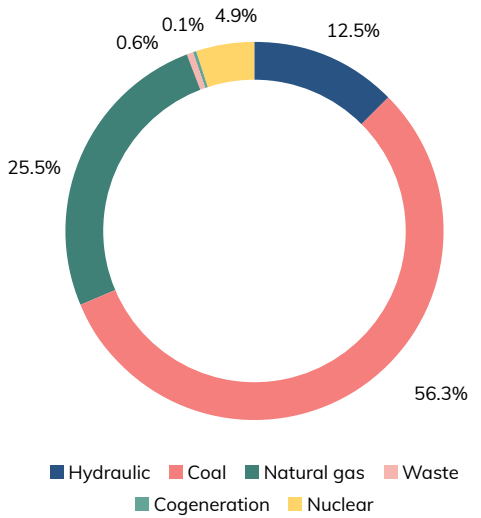
4.1.2. Technical indicators

Electricity generation

INSTALLED PRODUCTION CAPACITY	U	2021	2020	2019
Hydraulic total[1]	Gross MW	425	422	433
Coal	Gross MW	1,911	1,322	1,322
Natural gas[1]	Gross MW	865	866	1,721
Nuclear	Gross MW	165	165	165
Thermal total	Gross MW	2,942	2,353	3,208
General total	Gross MW	3,367	2,775	3,641
Cogeneration	Gross MW	5	5	5
Waste	Gross MW	20	20	20
Special total	Gross MW	26	26	26
TOTAL	**Gross MW**	**3,393**	**2,801**	**3,667**

Investments in wind power are made through EDP Renováveis.

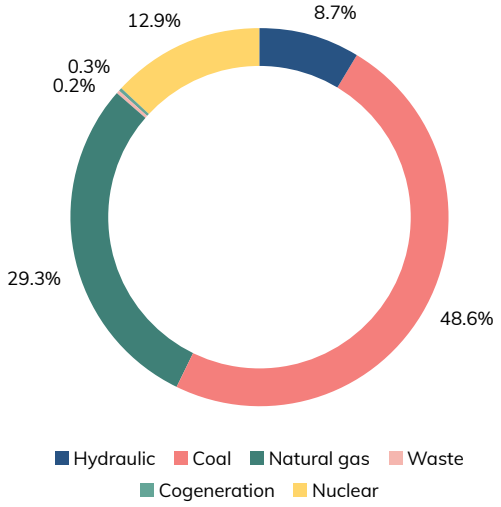
Installed capacity



NET ELECTRICITY GENERATION	UN	2021	2020	2019
Hydraulic total	MWh	771,985	677,491	880,097
Coal	MWh	4,314,937	2,431,009	3,128,971
Natural gas	MWh	2,599,032	4,106,782	4,345,998
Nuclear	MWh	1,145,026	1,196,087	1,223,263
Thermal total	MWh	8,058,996	7,733,878	8,698,232
General total	MWh	8,830,981	8,411,369	9,578,329
Cogeneration	MWh	28,518	24,326	30,090
Waste	MWh	19,492	48,524	76,548
Special total	MWh	48,009	72,850	106,639
TOTAL	**MWh**	**8,878,990**	**8,484,219**	**9,684,968**

Investments in wind power are made through EDP Renováveis.

Net electricity generation per technology



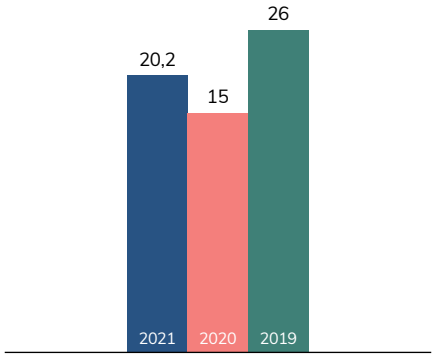
Electricity Distribution

ELECTRICITY DISTRIBUTION INSTALLATIONS	U	2021	2020	2019
HV overhead lines (50/132 kV)	km	2,821	3.013	1,269
MV overhead lines (5/10/16/20/22/24 kV)	km	13,093	12,999	4,826
HV underground lines (50/132 kV)	km	108	107	44
MV underground lines (5/10/16/20/22/24 kV)	km	3,809	3,770	1,684
LV overhead grids	km	23,639	23,577	9,637
LV underground grids	km	9,022	8,948	3,309
Transformation centres	Nº	17,850	17,778	6,667
Transformation centres' installed capacity	MVA	5,041	5,001	2,323
Substations[1]	Nº	274	279	149
Transformers in substations[2]	Nº	312	313	120
Installed capacity in substations	MVA	13,129	13,143	5,343

[1] It includes MV substations (MV/MV and Manoeuvre-Interconnection)
[2] Power transformers in substations and cold reserves

ELECTRICITY DISTRIBUTION	N	2021	2020	2019
SUPPLY POINTS	**No.**	**1,376,478**	**1,370,924**	**668,494**
Low voltage (< 1kV)	No.	1,373,898	1,368,397	667,339
Medium voltage (> 1 kV y <36 kV)	No.	2,343	2,378	1,128
High voltage (> 36 kV)	No.	237	149	27
DISTRIBUTED ENERGY	**GWh**	**14,092**	**7,501**	**8,262**
Low voltage (< 1kV)	GWh	4,120	2,131	2,229
Medium voltage (> 1 kV y <36 kV)	GWh	2,798	1,190	1,286
High voltage (> 36 kV)	GWh	7,174	4,180	4,746

Quality of supply



TIEPI progress (minutes)

The 2021 data include the Viesgo Group.

Electricity and gas retail

ELECTRICITY RETAIL	U	2021	2020	2019
B2B customers (Electricity)	#	22,049	21,635	22,560
Retailed energy (Electricity)	GWh	10,959	10,790	12,362

GAS RETAIL	U	2021	2020	2019
B2B customers (Gas)	#	4,393	5,556	5,769
Retailed energy (Gas)	GWh	3,818	7,413	15,394

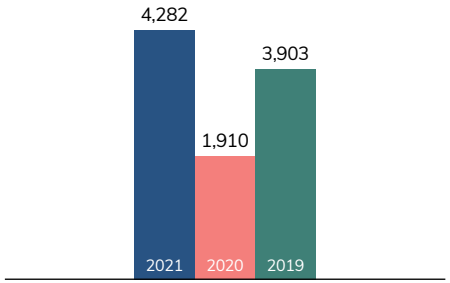
ENERGY SERVICES	U	2021	2020	2019
Customers with value-added services	#	3,306	1,585	1,622

SELF-CONSUMPTION AND MOBILITY	U	2021	2020
Total decentralised solar power installed	**MW**	**25.87**	**19.69**
Decentralised solar power B2B	MW	16.99	17.85
Decentralised solar power B2C	MW	8.88	1.84
Number of charging points for electric vehicles	**#**	**790**	**280**

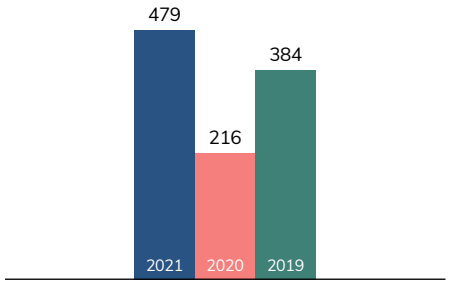
4.1.3. Environmental indicators

CO_2 emissions

Total emissions (thousand tons)

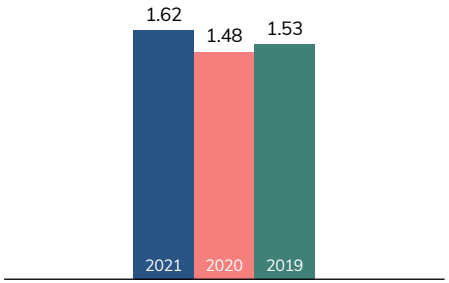


Specific emissions (g/kWh)

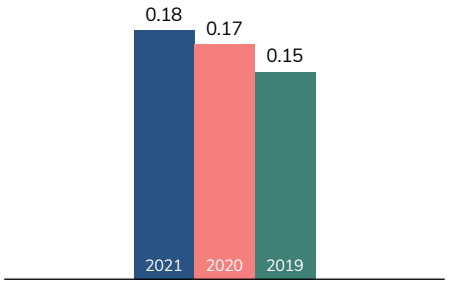


SO_2 emissions

Total emissions (thousand tons)

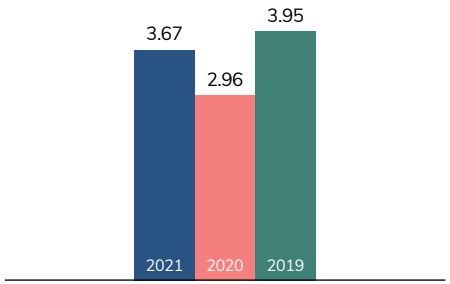


Specific emissions (g/kWh)

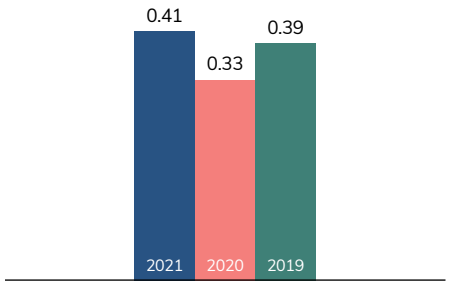


NO_x emissions

Total emissions (thousand tons)

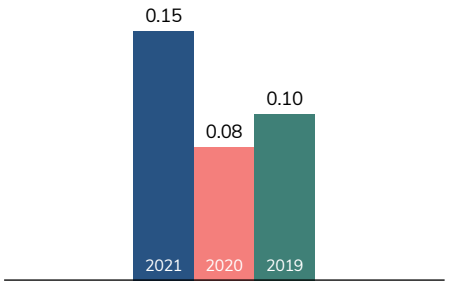


Specific emissions (g/kWh)

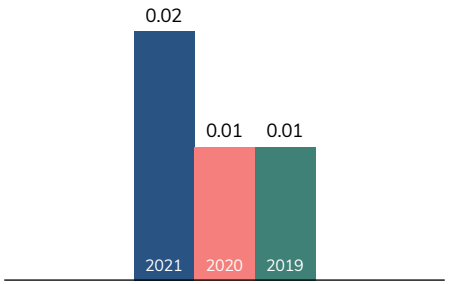


TSP emissions

Total emissions (thousand tons)



Specific emissions (g/kWh)

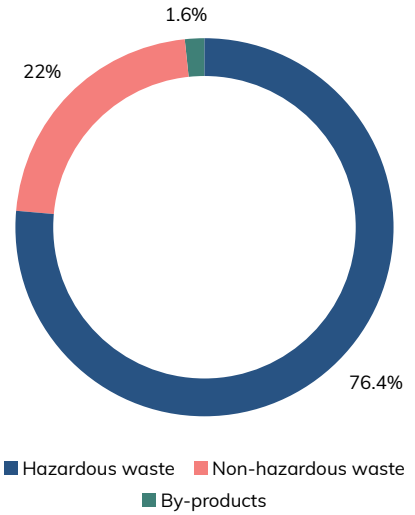


WASTE AND BY-PRODUCTS	U	2021	2020	2019
Total hazardous waste	Tons	1,672	1,454	318
Total non-hazardous waste	Tons	103,731	70,113	91,229
Total by-products	Tons	39,053	20,177	26,766
Total generated	Tons	144,455	91,744	118,313
Total recovered	Tons	133,784	88,992	115,694
% Total recovered	Tons	93%	97%	98%

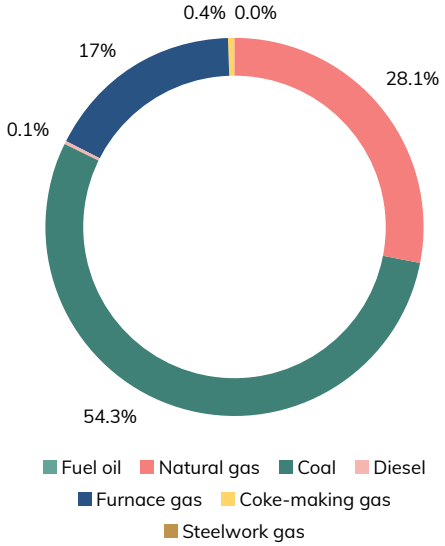
FUEL CONSUMPTION	UN	2021	2020	2019
Fuel oil	TJ	21	40	22
Natural gas	TJ	17,977	28,142	30,325
Coal	TJ	34,727	20,180	23,379
Diesel	TJ	38	31	47
Furnace gas	TJ	10,891	6,296	10,213
Coke making gas	TJ	0	0	616
Steelwork gas	TJ	266	750	1,006
TOTAL		**63,921**	**55,439**	**65,609**

WATER	UN	2021	2020	2019
Cooling water	m^3x10^3	339,100	283,279	324,242
Electricity generation water	m^3x10^3	1,082	1,401	1,781
Recovered water out of abstracted water (%)	m^3x10^3	99%	99%	99%

Waste and by-products



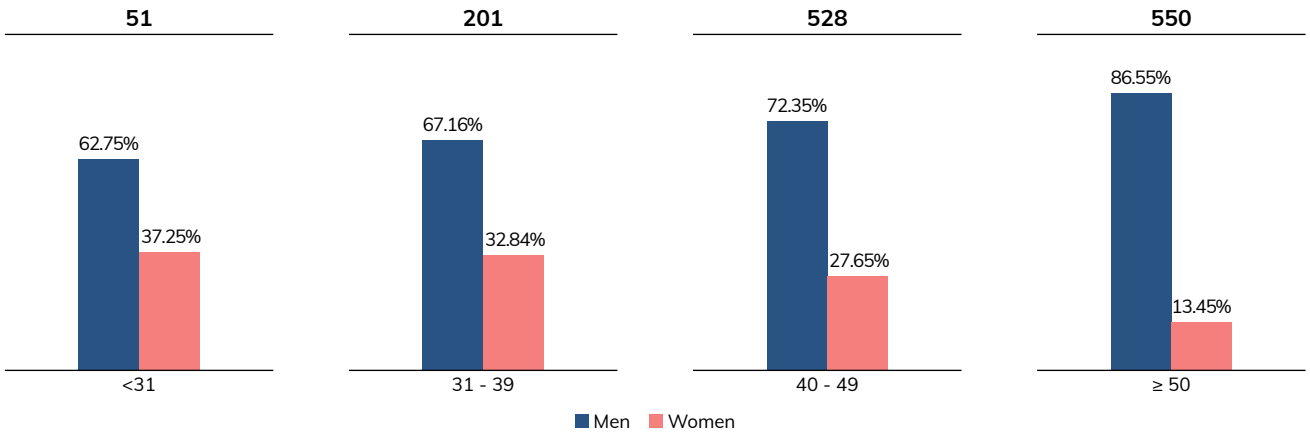
Fuel consumption



4.1.4. Social indicators

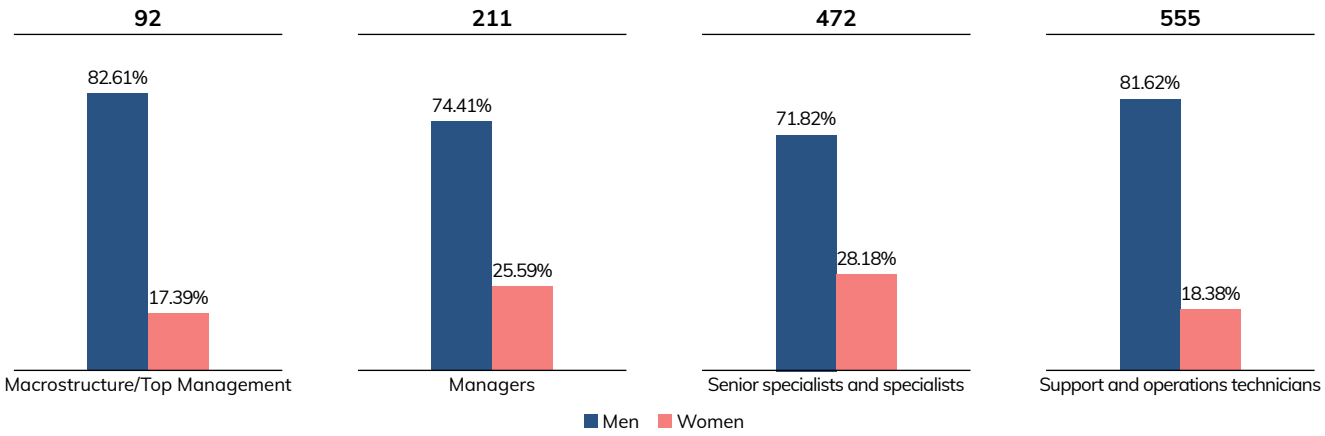
EMPLOYEES	U	2021	2020	2019
Employees	#	1,330	1,512	1,225
Percentage of women	%	22,9	21	26
Average age of the employees	Years	47	49	47
Absenteeism rate [2]	%	3.1	3.8	4.1
Employee remuneration costs	€M	104.0	92.0	88.6
Contribution to Pension Plan	€M	4.7	3.0	3.1

Employee profile by age and gender

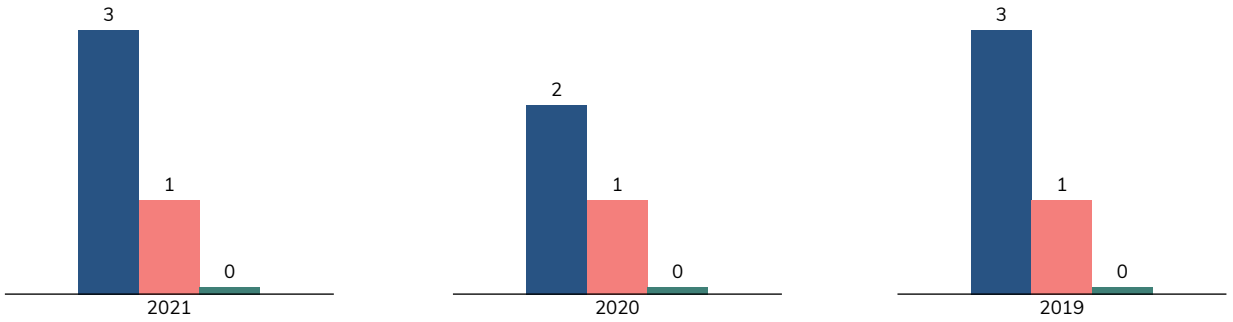


EMPLOYEES	UN	2021	2020	2019
Total hours of training	Hours	39,954	25,114	38,153
Engagement rate	People	1,388	1,191	1,183
Training actions	€M	480,432	375,420	717,121

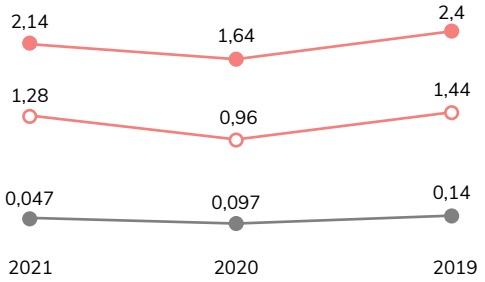
Employee profile by professional category and gender



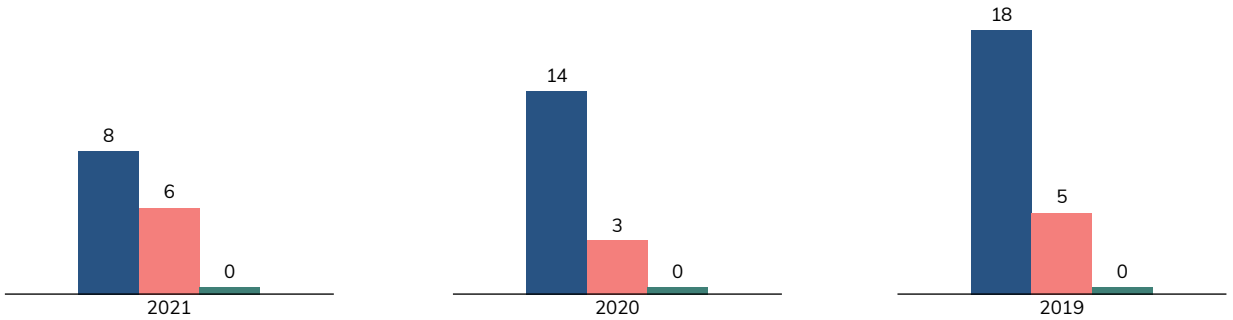
Own workforce accidents



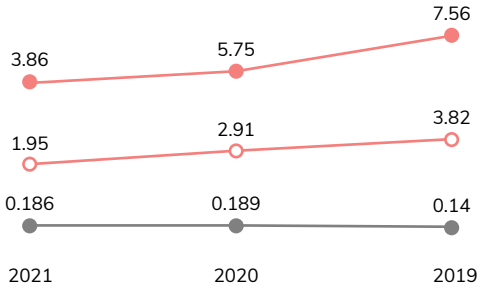
Own workforce accident rate



Contractor staff accidents



Contractor staff accident rate



Accidents involving sick leave

Accidents not involving sick leave

Fatal accidents

Incidence rate
No. of accidents involving sick leave/exposed people*10^3

Índice de frecuencia
No. of accidents involving sick leave/worked hours*10^6

Severity rate
No. of working days missed/worked hours*10^3

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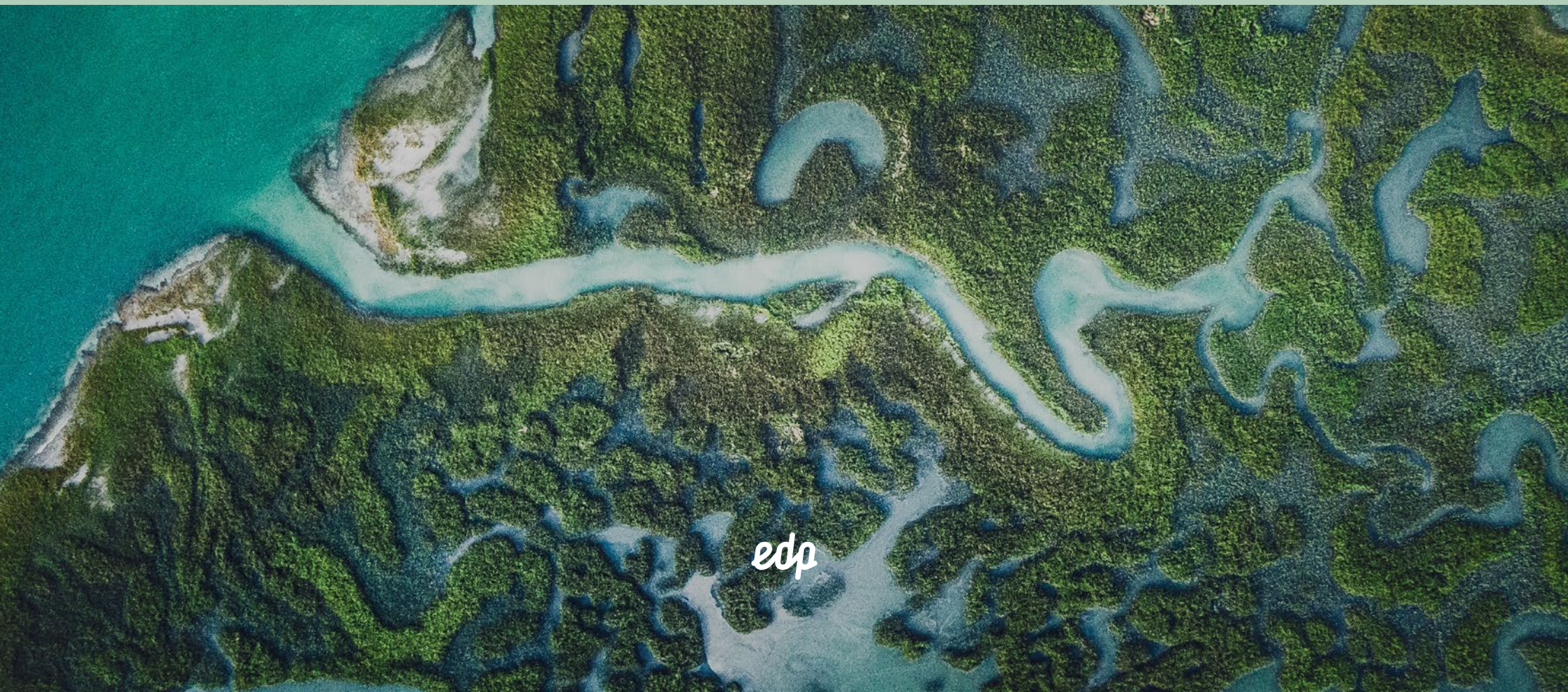
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