

EDP Redes España
2023 Sustainability Report



We Choose Earth

EDP Redes España Sustainability Report

This Sustainability Report of EDP Redes España has been prepared in accordance with 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.

This Report supplements the Annual Integrated Report of the EDP Group, as regards its activity in Spain:

Annual Integrated Report of the EDP Group

The EDP Annual Integrated Report has been prepared according to the international reference standards GRI, SASB, TCFD, and CMVM, and it has been audited by an authorised external entity under the ISAE 3000 standards. This report incorporates the ESG information for all the companies and geographical areas of the EDP Group, including EDP Redes España material information, which is detailed below in this Sustainability Report.

Other ESG reports on an EDP Group level, available on the corporate website www.edp.com, are:

- 2023 Annual Report of the General Supervisory Board
- Climate Transition Plan: 2023 progress report
- Other specific annual reports: Safety and Business Continuity Report, Internal Audit Report, Ethics Ombudsperson Report, Social Investment Report, and People Report.

Other specific biennial ESG reports are:

- Human and Labour Rights Report
- Biodiversity Report and Circular Economy Report
- Report on the implementation of article 8 of the European Taxonomy Regulation.
- Quarterly ESG reports.





Our energy

Speaks of our stamina, our track record, and what drives us to continuously deliver green energy

and heart

Highlights our people and their key role in fulfilling our commitment to our clients, partners, and communities

drive a better

Reflects our ambition and leadership in making change happen

tomorrow

The reason why we work every day

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Chapter I EDP Redes España

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Chapter I

EDP Redes España

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EDP Redes España

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Because
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A portrait of a middle-aged man with dark hair, wearing a dark blue suit jacket over a white shirt. He is standing with his arms crossed, looking slightly to the right of the camera with a neutral expression. The background is a plain, light grey.

Letter from the Chairman

It is an honour for me to present my first Sustainability Report as Chairman of EDP Redes España. This document certainly reflects the company's excellent performance as regards its operational management in ESG terms, and it gives a true and fair view to all our stakeholders, in an honest and transparent way.

EDP Redes España comprises 3 distribution companies in Spain (E-Redes, Viesgo Distribución, and BEGASA), thus constituting a world-leading organisation in sustainability, as supported, for the second year in a row, by the fact that it has been ranked, once again, first in the GRESB international sustainability index of infrastructure assessment.

Year 2023 has been marked by a complex political and economic situation in all the national and international scenarios. In this context, the challenges of inflation, energy crisis, tensions in the supply chain, and a global geopolitical competition are still present, which translates into imbalances between the global goals endorsed by the international multilateral organisations and the urgent need to accelerate the energy transition and global decarbonisation.

Aware of this context, EDP has an ambitious strategic plan that will mobilise more than €25Bn for the 2023-2026 period, based on 3 main cores, which are the development of renewable energies, the strengthening of the grids, and new sustainable services for customers. This strategic plan reinforces the fundamental role of the energy transition grids as an indispensable lever in the fight against climate change, since they are necessary infrastructures for the development and connection of renewable energies, the promotion of self-consumption and distributed generation, energy storage, and electric mobility, to name a few.

EDP Redes España has personally assumed these major challenges in Spain, showing its resilience and adjustment capacity, efficiently executing an ambitious investor plan, prioritised by a new investment taxonomy that analyses risks and opportunities of investments in climate change matters, natural capital management, and criteria on circular economy, social impact, and good governance. We thus align our strategy with the most demanding international standards, such as the TCFD (Task Force on Climate-related Financial Disclosures) and the TNFD (Task Force for Nature-related Financial Disclosures).

Likewise, and through digital transformation and innovation, we can assert that our grids are increasingly smarter, maintaining high levels of demand in terms of continuity and quality of supply, minimising energy losses, and guaranteeing excellent customer service.

From the electricity distribution business, we have a lot to say too on social matters, since, we are, by definition, a business present throughout the territory. Assuming the commitment to be a relevant player and a driving force behind the creation of value in the territory that surrounds us, at EDP Redes España we promote social investment actions in the communities in which we operate, both on a recurring basis and in response to specific demands from our stakeholders.

Thus, we work on projects to support entrepreneurship and the settlement of people in areas at risk of depopulation; we promote actions to promote equity, diversity, and equality; we support our local communities in the development of socio-cultural activities and improved services; and we foster projects for the environmental recovery of degraded areas, with the aim of improving biodiversity and ecosystem services. This is a reflection of our strong social and local commitment.

All this activity requires a high-performance team, such as the team that makes up EDP Redes España. It is our duty to assume together the highest demanding commitment to health and safety, in order to achieve a zero accidents scenario, the company's maxim, which is complemented by excellence aspects in people management in terms of quality and stability of employment, work environment, diversity and gender equality, and social inclusion, among others. Not surprisingly, in 2023 we have been distinguished as a Top Employer and one of the best companies to work for in Spain.

Finally, in ESG terms, strategic governance compels us to assume the best international practices of integrity, ethics and human rights, as demonstrated by our public commitment to the United Nations Global Compact, of which we are signatories. Its 10 principles on human and labour rights, the environment, and the fight against corruption guide all our steps as one of the most ethical companies in the world and a leader in sustainability.

I would like to conclude this letter by thanking, of course, the entire EDP Redes España team for their commitment and dedication, as well as the Board of

Directors, and, especially, our partners at Macquarie. I would like to publicly thank Miguel Mateos Valles, CEO of EDP Redes Spain over the past years, for the work he has done to achieve all the goals we have set ourselves, highlighting his great capacity for work and his experience and values to lead the major change in the distribution grids strategy in the challenge of the energy transition.



José Ferrari Careto
Chairman of EDP Redes España

Letter from the CEO



At the end of financial year 2023, the third year of joint activity of EDP Redes España as the company that brings together the electricity distribution activity of the EDP Group in Spain through the companies E-Redes, Viesgo Distribución, and Begasa, it is a pleasure for me to take stock through this Sustainability Report.

As usual, always with the focus on people, my first lines highlight the occupational health and safety management of the company and its stakeholders. With the leadership of the Health and Safety team and the effective involvement of the entire organisation and partner companies, applying the strictest levels of safety, surveillance, and cooperation, we have closed the year with excellent preventive indicators, which place us in first place among the different geographical areas and activities of the EDP Group. However, this performance cannot lead to a slackening of management structures, and we must continuously strengthen preventive aspects in order to remain on track to achieve the ambitious goal of zero accidents and no personal injuries.

Now focusing on the strategic aspects of the business, 2023 has been a year in which the crucial role of grids as a necessary lever in the effective development of the energy transition, key in the processes of decarbonisation and electrification of the economy, has been unequivocally defined. This is reflected in our Strategic Plan, directly and indirectly in its seven pillars, with a total investment of 864.5 million euros committed for the 2024–2028 period. This year has been a good example of this, as we reached an investment of €179M, 60% higher than that made by our companies before the joint management.

These investments reflect actions required to increase the capacity of the grids and also to support the urgent need to accelerate the implementation of renewables, together with other investments related to the improvement of the quality of service, environment matters, renovation and modernisation of assets, and an ambitious and necessary digital transformation, in terms of automation, communications, and digitisation, among others.

In terms of quality of service, we maintain the absolute leadership, with a TIEPI (Installed Power Equivalent Interruption Time) of 15.85 minutes, in a year in which storms and extreme weather events have been recorded, which demonstrates the excellent performance of our distribution grids and field teams.

Likewise, and reflecting an excellent ESG management, EDP Redes España has renewed and improved its global leadership in the GRESB international sustainability index of infrastructure assessment, as the absolute leader among all



electricity distribution companies (99.7 points out of 100). This milestone contributes significantly to the international ESG leadership of the EDP Group, which this year, once again, holds the title of being the most sustainable electricity company in the world, ranking 1 in the Dow Jones Sustainability Index, among others.

This demanding examination that involves the assessment of our candidacy in GRESB recognises operational excellence in a comprehensive manner, highlighting our efforts in the fight against climate change through actions and efficiency measures undertaken to monitor and reduce the environmental footprint of the activity, the implementation of actions to maximise a positive social impact on our stakeholders and society as a whole, and governance based on ethics and integrity, promoting equity, diversity, and equality, all with a management approach based on risks and opportunities, including those of climate change and transition aligned with TCFD.

Climate change stands out as the main material issue, with mitigation and adaptation as the main lines of action. This has created a specific task force that has developed several initiatives through a new Investment Valuation Model, where a new category, 'Climate Change Resilience', has been included in the taxonomy. Thus, more than 300 assets likely to be affected by climate change have been identified, more than 200 actions have been proposed as adaptation measures, a quarterly monitoring report on adaptation works has been articulated, and an analysis of the effect that climate change may have on the safety and health of workers has begun.

In environmental matters, other material aspects are related to the protection of biodiversity and management of natural capital, or the promotion of effective circular economy initiatives. In this respect, the Naturnet application, developed in-house, measures the impacts generated by power distribution lines on habitats, species, and ecosystem services, thus facilitating the definition of objectives to improve natural capital. It aims to align the strategic goal of achieving a net profit in nature (Nature Positive) by 2030 with the international initiative TNFD (Task Force for Nature-related Financial Disclosures).

On the other hand, EDP Redes España wants to be recognised in the communities in which it operates as a relevant actor, committed to society through actions and projects that, responding to the needs and expectations of the different stakeholders, exert a positive social impact in terms of wealth, employment, population fixation, diversity and equality, and other emerging social issues. The successful EDP programme 'Suma+' contributes to this social goal through programmes such as Entama, EDP Tech Camps, EDP Partners, and EDP+Cerca.

As I always highlight in my public speeches, another of the key levers for the excellent development of our business are the digital transformation and innovation projects, with which we move towards truly smart grids. To mention a few advances, we have incorporated 3rd generation satellites for fire detection, developed advanced monitoring of the low-voltage grid through remote-controlled panels, or AI systems in the identification of line inspection faults, which allows, as a whole, to achieve optimal technical flexibility and the highest level of integration of distributed generation and the best indices of continuity and technical quality.

In the same vein, obtaining the Business Continuity certification according to the ISO 22301 standard is, without a doubt, another of the great milestones of the year, given that EDP Redes España is the first company in the electricity sector to obtain the ENAC seal in its certificate, by orienting business continuity to the processes of distribution (operation, maintenance, and management of communications with customers due to breakdowns).

To conclude, I would like to thank all our employees for the invaluable work they have performed throughout my professional career, this being my last letter as CEO of EDP Redes Spain. There have been many personal and professional challenges over the years, and many have been the excellent colleagues who have given me their support and excellent work and dedication. The key to success has always been teamwork, with capacity and great technical solvency, but with outstanding human values.

I am fully convinced that EDP Redes España is and will continue to be the undisputed leader in the sector.

Finally, thank you to the Board of Directors for their continued work, trust, and support.

Miguel Mateos
CEO of EDP Redes España

Our year

January

EDP participates in the World Economic Forum (WEF).

EDP improves its score in the Bloomberg Gender Equality Index.

February

EDP renews its certificate as a Family-Responsible Company (efr) on a global scale.

March

EDP presents the new 2023-2026 Strategic Plan to investors, with an investment commitment of €25Bn to boost renewables, strengthen electricity grids, and offer new solutions for customers.

EDP Redes España participates in Smart Distribution Networks and other international events on the relevance of networks in the energy transition.

April

Launch of The Spiral: Global Intrapreneurial Innovation Program.

May

InnovTeam: Global conference on innovation in networks at the headquarters in Oviedo.

EDP presents the prevention and environment awards.

June

EDP Redes España renews its ISO 45001 certification for occupational health and safety, which includes 100% of the activity.

LIFESop Cortadería, project to eradicate the invasive species cortaderia selloana, awarded the Natura2000 award.

July

New summer course at the UIMP promoted by EDP: 'A boost towards the energy transition: New technologies.'

August

EDP renews its equality plans, contributing to equal opportunities and non-discrimination.

September

EDP, the only private company invited to participate in the UN Climate Ambition Summit.

EDP España ranked in the Top 10 best companies to work for in Spain by Actualidad Económica.

October

EDP joins more than 100 major global companies in the Alliance of CEO Climate Leaders, in an open letter to global decision-makers and policymakers urging bold climate action in the wake of COP28.

EDP recognised at the ESG Investing Awards.

November

EDP recognised as the world's most sustainable electricity company by S&P Global CSA.

9 startups selected in the 'Redes del Futuro' module in the 8th year of Energy Starter.

EDP Redes España, the first distribution company in Spain to obtain the Business Continuity Management System certificate according to the ISO 22301 Standard.

December

EDP, number 1 in the world among utilities in the Dow Jones Global Sustainability Index.

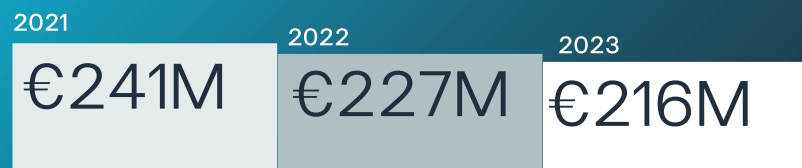
EDP Redes España, world leader in theGRESB Infrastructure Assessment Index.

EDP España joins the Top Employer certification that the EDP Group already held in 10 other countries.

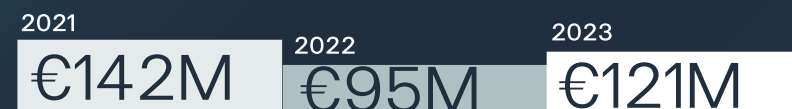
Key metrics

Financial data

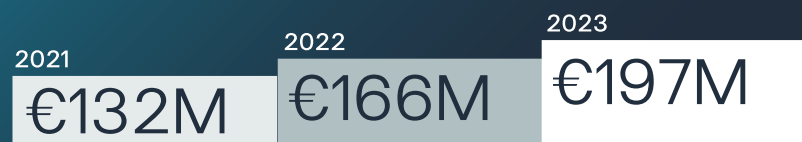
EBITDA



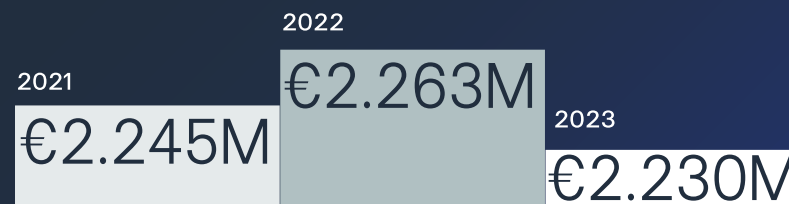
Profit after tax






Operating investments



Net debt



ESG data

	Indicator	Unit	2022	2023	Var
 Environmental	Specific CO ₂ emissions	gCO ₂ /kWh	7,4	5,2	-30%
	Assets certified under ISO 14001	%	100	100	✓
	% of electrified fleet	%	30,4	32,5	7%
	Environmental investment	m€	7.639	11.151	46%
	Recovery of hazardous waste	%	86,0	93,7	9%
	Recovery of non-hazardous waste	%	88,8	96,2	8%
 Social	No. of employees	#	540	544	1%
	% of women	%	17,8	18,6	4%
	Training hours	h	24.040	17.231	✓
	Employees who have received training	#	568	556	-2%
	No. of accidents involving leave of own staff	#	1	1	0%
	No. of accidents involving leave of contractors	#	4	4	0%
Quality of supply: TIEPI	min	16,68	15,89	-4%	
 Governance	Women in leadership positions	%	21,4	22,6	6%
	Remuneration linked to ESG for the the top management		✓	✓	✓
	Cybersecurity		✓	✓	✓
	Upper quartile in sustainability indices		✓	✓	✓

Our values

Innovation

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

Sustainability

For the purpose of improving the quality of life of current and future generations.

Social Responsibility

Aimed at building true and trusting relationships with our employees, customers, partners, and communities.

Our commitments

Sustainability

We assume the social and environmental responsibility resulted from our activity, thus contributing to the development of the regions in which we operate. We avoid specific greenhouse gas emissions through the energy we produce, and we guarantee a competent, honest, and engaging governance of our business.

Customers

We put ourselves in our customers' shoes whenever a decision needs to be made. We listen to our customers and answer them in a plain and transparent way. We surprise our customers, getting ahead of their needs.

People

We combine professional conduct and rigour with enthusiasm and initiative, fostering teamwork. We promote skill-building and merits. We believe that balance between personal and professional life is essential to succeed.

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.

Our vision

Being a global energy company,
leading the energy transition to
create higher value

And in the specific case of EDP Redes España, our vision is to lead the energy transition on the basis of four pillars:



Maximising capital investment, improving the ROI for our stakeholders, seizing opportunities for sustainable growth, and minimising the regulatory risk.



Leader in quality of supply, minimising energy losses, taking advantage of the best practices of the best companies in the industry, Viesgo and E-Redes.



Leader in operational excellence, capturing 100% of the synergies derived from the functional integration of our benchmark distribution companies.



Leader in innovation, taking advantage of the EDP Group's capacities to implement new facilitating and sustainable technologies.



EDP Redes España

1.390.525 customers

Supply points



12.677 GWh

energy distributed

52.848 km

kilometres of lines

544

total employees

12

provinces

8

regions

Management of stakeholders

Stakeholder management is a strategic priority for EDP, following the growing importance of ESG (Environment, Social & Governance) issues in the business world.

Being committed to stakeholders is a very demanding exercise for companies, which involves sharing information and being transparent in their relationship with society and, in particular, with all those who are affected by their activities. EDP aims to achieve this through four major engagement commitments: understanding, communicating, trusting, and collaborating.

EDP remains committed to preserving the excellence achieved in this area, constantly listening to its main stakeholders, adapting and improving its procedures, and incorporating different visions into its action plans.

For this reason, in 2023, EDP carried out a global and integrated study among several stakeholder segments in the regions in which it operates, with more than 6,000 surveyed people. This exercise allowed EDP to assess the global perception of stakeholders about the company and its role in leading the energy transition. Following the first global assessment in 2021, there has been progress in the perceptions recorded and a strong strengthening of our global position.

EDP remains committed to achieving an excellent level of stakeholder engagement activities, designing new global and unified procedures and approaches in its core markets, adapting it whenever necessary to cultural and social specificities.

EDP firmly believes that this activity is key to enabling the implementation of the business plan, improving business success, anticipating risks, and also creating value for stakeholders.

Positioning EDP as a global company at the forefront of the energy transition, raising awareness in our key markets, and establishing long-lasting and trusting relationships with our key stakeholders will continue to be our main goal.



Market

- Competitors
- Investors and analysts
- Financial institutions
- Shareholders
- Owners of assets
- Market agents



Democracy

- Government
- Public bodies
- Political parties
- Municipalities
- International institutions and associations



Value chain

- Employees and trade unions
- Suppliers
- Partners
- Universities and scientific community
- Off-takers
- Business associations
- Start-ups
- Customers and representatives



Social and local communities

- NGOs
- Land owners
- General public
- Educational institutions
- Media
- Opinion leaders



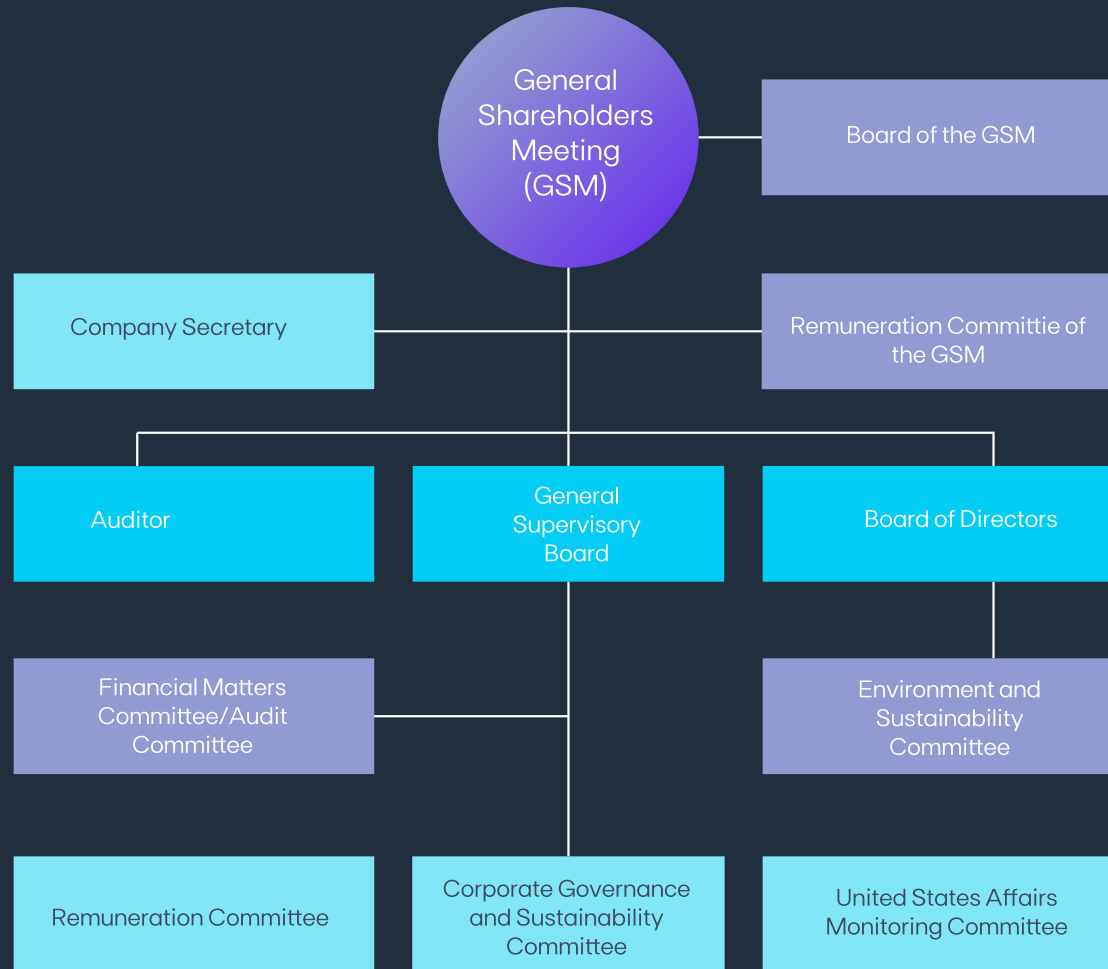
Organisation of Sustainability

In Spain, the Environment, Sustainability, Innovation, and Climate Change Division (DASIC) has been delegated the responsibilities for the management of all these aspects, jointly with Quality and Stakeholder Management, for all the companies of the Group, such as EDP Redes España.

This Division is responsible for the implementation of the Environmental Policy, from which the Climate Change management strategy is derived, together with the programmes, projects, and actions covering the Sustainable Development Principles of the EDP Group, the Stakeholder Management Policy, or the Social Investment Policy, among others.

At least twice a year, the Environment and Sustainability Committees hold a meeting (jointly with Quality and Stakeholder Management), in which those responsible for each Platform, together with the DASIC, proceed to monitor the material matters in their respective activities.

In addition to the monthly report presented to the Operational Management Committee, 3 annual sessions are held with the Top Management for a detailed review of the sustainability management in the organisation, and at least one annual session with the Boards of Directors of EDP España and EDP Redes España.



- Corporate entities
- Corporate bodies
- Other statutory bodies

Corporate entities are also corporate bodies, pursuant to article 8, section 4, of EDP's Articles of Association

Sustainability: ESG excellence

Environmental

Environmental management is strategic for the EDP Group, with the aim of preventing pollution and mitigating impacts. Through the Environmental Policy and in accordance with ISO 14001:2015, the Group maintains a certified corporate environmental management system (SIGAC). Continuous improvement is supported by action plans, goals, and targets, especially the Climate Transition Plan

Governance & Economics

EDP's responsible business conduct, focused on long-term value creation, involves the implementation of mandatory practices in areas that are increasingly vital to the business. This involves rigorous integrity and supply chain due diligence processes, with the aim of safeguarding stakeholders from associated risks. These practices are underpinned by a number of policies and regulations, which are fully in line with the values and principles established in EDP's Code of Ethics.

Social

The current and potential impacts associated with the multiple dimensions of the social pillar impose on the company the need for policies and the definition of action plans, goals, and targets, which are supported by our policies, in accordance with the values and principles of the Code of Ethics. The identification of risks and opportunities associated with these impacts, especially the Human Rights dimension, is fundamental for the management of the company.

Environmental

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Circular economy

Stakeholders

- Shareholders | Employees
- Suppliers | Customers
- Academia | State
- NGOs | Communities

Social

- Our people
- Safety, health, and crisis management
- Affected communities
- uman rights

Governance & Economics

- Supply chain
- Consumers and users of energy
- Business conduct
- Innovation and digital transformation
- Sustainable finances

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Global energy trends

Year 2023 was marked by the efforts to recover from the events of previous years. After a global pandemic and the immediate effects of the war in Ukraine, the impacts on the global economy still linger. The world's economies are still struggling to get back on track and the energy sector is finding its way back to lower volatility.

While inflation rates were at very high levels in 2022, 2023 was the year in which more stable rates began to be seen. In the Eurozone, inflation stood at 5.4% in 2023, down from 8.4% in 2022, while in the United States it stood at 4.1% compared to 8.0% in 2022 (source: Focus Economics). Monetary policy measures played an important role in 2023, with consecutive interest rate hikes by both the EU and the US, and consecutive interest rate hikes by the European Central Bank and the US Federal Reserve. The higher cost of capital creates a challenging environment for investors, who are cautiously considering where to invest their money.

In 2023, the energy sector recovered from the uncertain and highly volatile environment of 2022. Annual average coal prices declined by more than 55% in 2023, as API #2 – a widely used European coal price benchmark – stood at around \$129/tonne, compared to the \$290/tonne in 2022.

The price of Brent crude remained somewhat stable during the first half of 2023, but following production cuts by Saudi Arabia, Russia, and OPEC+ countries, it peaked at \$95.4 per barrel (\$/bbl) in September. The year ended with an average price of \$83/bbl, a reference lower than the \$101/bbl in 2022.

There was a significant decline in gas prices, as the Henry Hub – the benchmark index in the US – reached an average price of \$2.5 per million British thermal units (\$/MMBtu), 54% lower than the previous year. The price of the European Gas Benchmark (TTF) at the beginning of the year was €63/MWh (average price in January), but it started to fall to the €30–45/MWh range, as gas storage in the EU reached a level of 86% by the end of the year. The TTF had an average price of €41/MWh in 2023, almost three times lower than the 2022 price of €121/MWh.

In Europe, the EU Emissions Trading System (ETS) carbon reference price averaged €84/tonne in 2023, a slight increase with respect to the average price of €81/tonne in 2022.

Having a sustainable and secure energy system is a clear priority for many countries, after everything that happened in 2022. Accelerating the energy transition is on the political agenda of many countries, as well as in the strategic plans of private sector companies. Throughout 2023, several policies were put in place, with the main goal of regaining investor confidence and strengthening the competitiveness of industries, so that economies can continue to recover and businesses have a favourable environment to thrive.

Global warming in 2023

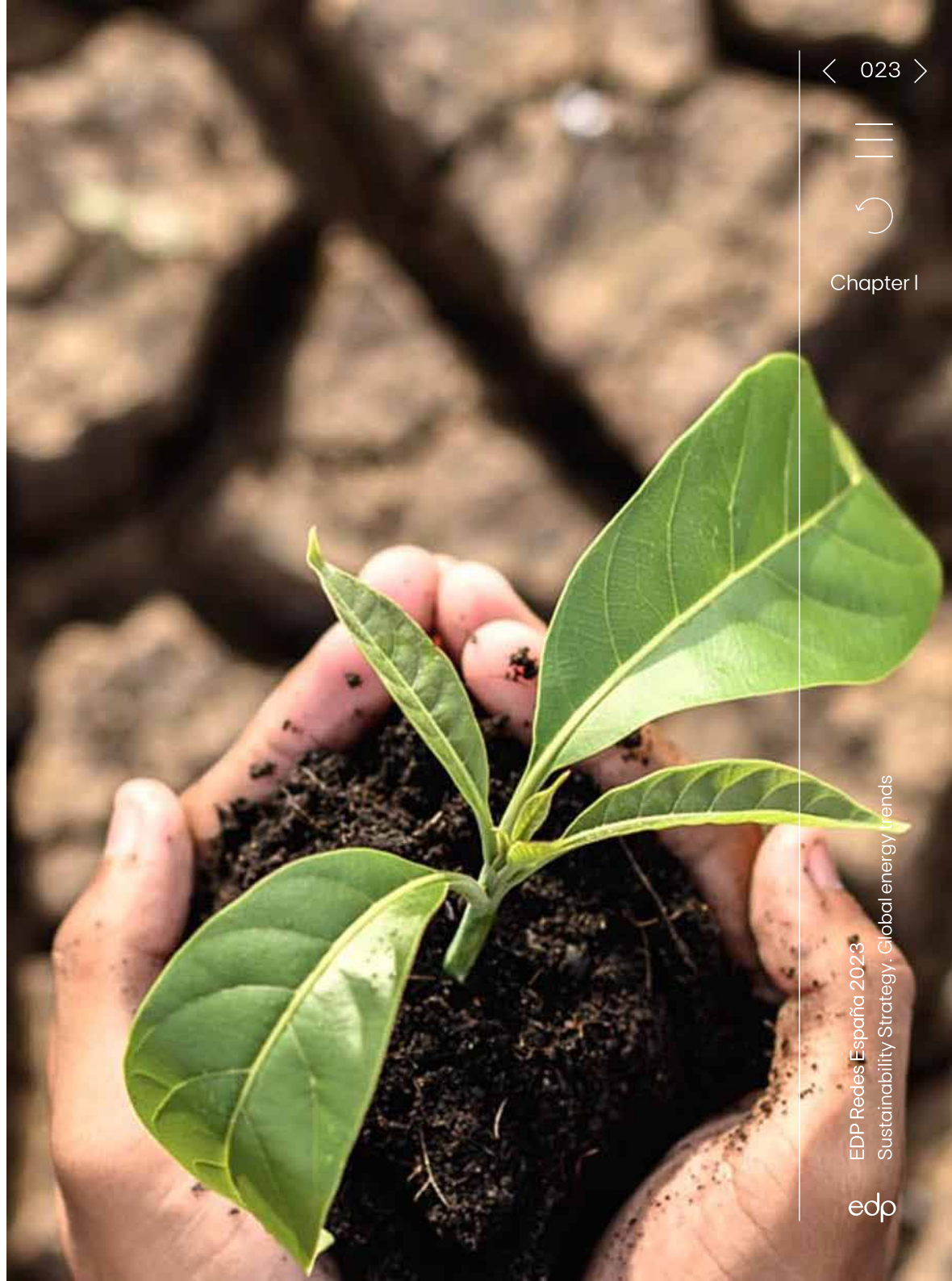
2023 has become the warmest year ever recorded, according to the European Earth Observation Programme, 'Copernicus'. Record-breaking global temperatures starting in June led 2023 to become the hottest year on record, surpassing 2016, the previous warmest year. In recent months, global temperatures were 1.48°C warmer than the pre-industrial level of 1850–1900 and thus, close to the 1.5°C limit agreed in the Paris Agreement. According to the report, the 1.5°C threshold is likely to be exceeded in a 12-month period ending in January or February 2024.

In March 2023, the Intergovernmental Panel on Climate Change (IPCC) called for urgent climate action as the planet appears to be at a turning point with respect to climate change, given that the chances of maintaining the 1.5°C temperature target are being drastically reduced.

According to the report, to limit global warming to 1.5°C, emissions need to peak before 2025 and be reduced by 43% by 2030, 60% by 2035, and reach net zero by the early 2050s.

Global warming has already caused devastating disruption to ecosystems, populations, and economies across the planet, and its effects appear to be increasingly catastrophic. Year 2023 was no exception, and major climate-related events caused widespread damage around the world.

In Libya and Turkey, torrential rains in unprecedented amounts led to devastating flooding. China was hit by typhoon Doksuri, one of the heaviest storms in recent years, which caused significant rainfall and flooding across the country. Extreme heat and dryness led to a large number of catastrophic wildfires around the world, such as those in Greece (which suffered the largest wildfire ever seen in Europe), Canada, South America, and Australia, among others. On the other hand, record droughts were recorded in different regions, such as the Amazon rainforest, Mexico, and West Africa.





Negotiations on climate: 28th Conference of the Parties (COP 28) of the UNFCCC

The United Nations 2023 Conference of the Parties (COP) was held in Dubai, United Arab Emirates (UAE), from 30 November to 12 December.

For the first time, countries agreed on the need to 'move away from fossil fuels in energy systems' in a 'fair, orderly, and equitable manner' to reach the goal of net zero emissions by 2050. This was the main conclusion of the first Global Assessment (assessment on global climate action and support that underpins the updates of the countries' Nationally Determined Contributions (NDCs).

However, the agreement did not include concrete actions and no timetable was specified. In addition, the omission of the terms 'phase-out' or 'progressive reduction' could be a sign of a lack of ambition according to some countries.

The countries that hold at least half of the world's renewable energy capacity also signed a commitment to triple global renewable energy capacity by 2030 to at least 11 TW and double global rates of energy efficiency improvement from around 2%/year today to more than 4%/year by 2030.

The renewable energy target will require an unprecedented acceleration of its implementation, although, according to the International Energy Agency, this is an 'ambitious but achievable' target.



European Energy Policy

Directive on renewable energies

The Renewable Energy Directive is the legal framework for the development of clean energy in all sectors of the EU economy. Given the need to accelerate Europe's clean energy transition, as set out in the 'Fit for 55' package, the Renewable Energy Directive EU/2018/2001 for the 2020–2030 period was revised in 2023. The revised Renewable Energy Directive, the so-called 'RED III' was published on 31 October 2023 and entered into force 20 days later.

RED III aims to increase the share of renewables in the EU's total energy consumption to 42.5% by 2030, with an additional indicative target of 2.5%. To achieve this objective, the Directive requires an acceleration of permit granting procedures and sub-objectives in the following areas for the industry, transport, and buildings sectors.

With regard to speeding up permit granting procedures, the Directive includes measures to significantly speed up the granting of permits for new projects. A key measure is the definition of so-called 'renewable energy acceleration zones', which must be defined by Member States, and where renewable projects will benefit from shorter and simplified authorisation processes. In particular, renewable energy source projects (or energy storage facilities located therein) in these areas will be exempted from environmental impact assessment and the authorisation periods will not exceed one year (two years for offshore projects) and six months for the repowering of plants and new installations with an electrical capacity of less than 150 kW.

The assessment and authorisation periods shall not exceed one year (two years for offshore projects) and six months for the repowering of power plants and for new installations with an electrical capacity of less than 150 kW. Outside these areas, the process should not exceed 24 months.

The Directive also provides that the failure by the administration to respond within the prescribed time limits will, in some cases, result in tacit approval of the specific administrative procedure. Under the new directive, the implementation of renewable energy sources will also be in the 'overriding public interest', which will limit the grounds for legal objection to new installations.

Member States must transpose RED III into national law by mid-2025.

Wind power package

The European Commission launched in October 2023 the so-called 'Wind Power Package' (WPP), which aims to accelerate the implementation of wind power in Europe and strengthen the competitiveness of European wind manufacturing. The WPP addresses specific challenges faced by the European wind sector, such as uncertain demand for wind turbines, high inflation, raw material shortages and rising costs, and slow and cumbersome permit granting processes. The ultimate goal is to reach the 420 GW of wind power proposed by REPowerEU by 2030.

The WPP proposes a Wind Power Action Plan that sets out 15 specific and immediate actions, structured around 6 key pillars. Some measures aim to accelerate the implementation of wind energy through greater predictability and faster permit granting, with a particular focus on the digitisation of national permit granting processes.

The WPP also aims to improve the design of auctions. Member States will ensure that auction prices are indexed to reflect increased costs and will use pre-qualification criteria in critical areas such as cybersecurity. The WPP also advocates for greater visibility through wind guarantees, the publication of medium-term auction schedules, and long-term plans for the implementation of renewable energies.

Access to finance is another key pillar. The EC aims to double the budget of the EU Innovation Fund for Clean Technologies and increase support for wind power activities in the revised European Strategic Energy Technology Plan (SET Plan), focusing on research and innovation in the wind manufacturing sector. In this regard, the EC launched a €4,000 million call in the framework of the Innovation Fund with grants to support investment in clean technology manufacturing.

The European Investment Bank also amended its lending rules to support investment in factories and launched a new €5,000 million counter-guarantee scheme for the manufacture of wind turbines.



To ensure Member States' commitment, a Wind Energy Charter was published in December 2023, signed by 24 Member States and also supported by Bulgaria and Croatia and more than 300 companies in the wind energy sector (such as EDP Renewables).

Reform of the market design

Throughout 2023, the EU worked on reforming the design of the electricity market, and in December 2023 the proposal was approved. This reform aimed to build an energy system based on clean technologies, while promoting a competitive environment for businesses and stable pricing for consumers.

To achieve these goals, different proposed measures are being advanced, some of which are highlighted here:

- **Investments in new generation**, such as wind, solar, geothermal, reservoir-less hydro, and nuclear, will be supported by public support in the form of two-way contracts for difference, or an equivalent system
- **Member States** will provide public guarantees to promote new renewable energy purchase agreements under certain conditions.
- **Suppliers** (with more than 200,000 customers) will be obliged to offer fixed-term and fixed-price contracts with a minimum duration of 1 year.
- **Member states** will be able to apply flexibility support schemes to non-fossil technologies, including storage and demand response, in the form of capacity payments.

Net Zero Industry Act

The Net Zero Industry Act was published in March 2023 with the aim of strengthening European manufacturing capacity and promoting measures to overcome obstacles to the expansion of such capacity.

To achieve these results, some specific targets were set, i.e. increasing the production of zero-impact technologies, in order to meet at least 40% of the EU's annual needs for the implementation of strategic zero-impact technologies by 2030.

Solar photovoltaic, onshore wind, offshore wind, batteries, and electrolyzers are some of the technologies listed in this Law.

To ease the conditions and stimulate investment, this legislation sets out several proposals:

- **Accelerate** the granting of permits and reduce administrative burden for the implementation of net-zero manufacturing projects;
- **Facilitate** market access, e.g. by including sustainability and resilience criteria in public procurement and auctions;
- **Attract** investment through the Net Zero Europe Platform and the UE Hydrogen Bank; and
- **Foster innovation** through the creation of regulatory sandboxes.

Critical Raw Materials Act

Clean technologies rely heavily on critical materials, so their demand is expected to increase significantly in the coming years. To ensure the supply of strategic raw materials, the European Commission proposed the Critical Raw Materials Act in March 2023.

The legislation identifies a list of strategic raw materials needed for key technologies, which in turn are critical for the EU to pursue its green ambitions and targets.

The Act sets the target that by 2030 no more than 65% of the EU's annual consumption of each strategic raw material, at any relevant stage of its processing, comes from a single third country. By diversifying supply chains, the EU will be able to mitigate the risk of external dependencies.

The legislation is at the stage of provisional agreement by the Council and Parliament, and sets out the following non-legally binding objectives:

- By 2030, at least 10% of annual consumption of strategic raw materials in the EU shall come from internal extraction
- By 2030, at least 40% of annual consumption of strategic raw materials in the EU shall come from internal transformation
- By 2030, at least 25% of the EU's annual consumption must come from recycling carried out internally.



Regulatory framework

Given the current crisis stemming from the conflict between Russia and Ukraine, the main measures taken have been aimed at reducing the impact of rising energy prices, as well as encouraging savings and promoting renewable energies.

With regard to the distribution activity, the main measures introduced were the following:

- **Resolution of 19 January 2023**, of the National Commission on Markets and Competition, provisionally establishing the remuneration of electricity distribution companies for the year 2023, established a provisional regime for 2023 applying the remuneration approved by Order TED/749/2022, of 27 July. Such provisional regime was established without prejudice to the effects that could be derived on the remuneration of that year from the appeals filed against Order TED/490/2022, of 31 May, which enforces the judgment of the Supreme Court in relation to the 'harmfulness' of Order IET/980/2016, of 10 June, establishing the remuneration of electricity distribution companies for the year 2016. At present, the Supreme Court has allowed the appeal 726/2022 filed by Viesgo Distribución Eléctrica, S.L., declaring the illegality of Order TED/490/2022, and recognising its right to establish its remuneration according to the contents of its restated annual accounts as at 31 December 2014.
- **Royal Decree 314/2023, of 25 April**, develops the procedure and requirements for the granting of administrative authorisation for closed electricity distribution grids.
- **Resolution of 21 December 2023**, of the National Commission on Markets and Competition, establishing the values of the tariffs for accessing the electricity transmission and distribution grids applicable from 1 January 2024, set the prices of the contracted power and active energy terms of the transmission and distribution tariffs applicable to consumers, self-consumers for the energy demanded from the grid, and generators for self-consumption for year 2024.

- **Royal Decree-Act 8/2023, of 27 December**, established a provisional regime for electricity rates, extending until 2024 the application of those provided for in Order TED/1312/2022, of 23 December, until new ones are established by ministerial order. To this date, the aforementioned order is pending publication.

- In relation to the settlements of regulated activities in the electricity sector, the most recent measure is the publication of the Resolution approving Provisional Settlement No. 11 of 2023 of regulated activities in the electricity sector, of 18 January 2024.

Materiality

EDP's Materiality analysis process has been continuously developed since 2016, through a comprehensive methodology, standardised across the group and detailed on the corporate website. This process is conducted every two years, in line with the revision of the Business Plans, and enables the identification of the relevance of ESG (environmental, social, and governance) matters for stakeholders, cross-referencing it with their relevance to the business priorities and strategy.

The position of each stakeholder is analysed through reports, communications, facts, and insights collected through direct and indirect sources, and the relevance for the company takes into account the degree of maturity and management approach that exists in the organisation.

Thus, the materiality matrix identifies and prioritises the issues with the greatest potential to influence or be influenced by stakeholders in the short, medium, and long term, while identifying risks and opportunities for the company. The analysis supports decision-making and strategy development within the organisation, particularly in terms of sustainability performance assessment.

The main stages of the materiality process are outlined in the infographic on the right.

EDP's methodological approach to defining materiality incorporates the concept of double materiality, as defined by GRI Standards. This alignment underscores the importance given by EDP to the relevance of the material topics for society, taking into account their impact on our stakeholders.

As the concept of double materiality gains prominence in the international regulatory landscape, namely with the guidelines set by the European Financial Reporting Advisory Group regarding Non-Financial Information and within the International Sustainability Standards Board, EDP is adjusting its methodology for identifying material topics for subsequent reports.

In 2023, the materiality was revised to incorporate the Business Plan for 2023-2026, 14 material topics being identified and classified according to their relevance both for society and for the business (see infographic), highlighting:

1. Climate change - Climate change stands out for its high relevance to both society and the business. This emphasis aligns with the global concern regarding this issue and is intrinsically integrated in the strategy of EDP,



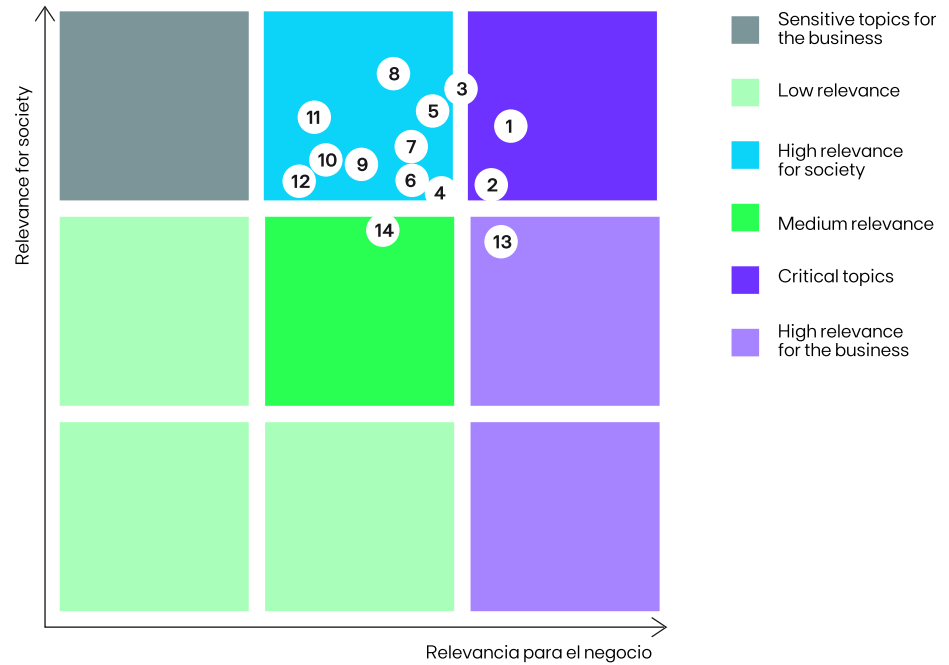
encompassing three key issues: (1) adaptation to climate change; (2) mitigation, involving decarbonisation solutions, such as sustainable mobility and energy efficiency; and (3) the promotion of renewable energies.

2. Supply chain – The growing relevance of the topic for business and society is due to the increased importance given to environmental criteria within the supply chain, namely the reduction of CO2 emissions in the context of decarbonisation, in light of global goals. Additionally, under the external pressures from the market and regulations, equipment traceability has emerged as a key factor in avoiding and mitigating indirect risks related to social and environmental concerns.

3. Biodiversity and ecosystems – The new Global Biodiversity Framework highlights the urgency of halting biodiversity loss and preserving the ecosystem services provided by nature. Companies need to accelerate their efforts to assess biodiversity and ecosystem-related impacts and dependencies, manage associated risks, and adopt a net gain approach. Their strategy and business model should be adjusted accordingly. Prioritising actions to avoid, mitigate, restore, and offset is essential for fostering responsible business practices.

The Materiality process also makes it possible to identify the degree of priority given by each stakeholder group to sustainability issues. This analysis shows a natural dispersion of the relevance attributed by the different stakeholders to the analysed topics.

Group 2023



- 1 Climate changes
- 2 Supply chain
- 3 Biodiversity and ecosystems
- 4 Circular economy
- 5 Affected communities
- 6 Innovation and digital transformation
- 7 Safety, health, and crisis management
- 8 Pollution
- 9 Energy consumers and users
- 10 Business conduct
- 11 Water and marine resources
- 12 Human rights
- 13 Sustainable finances
- 14 Our people

MAIN TOPICS

Climate changes
Adaptation
Energy



Sustainable finances
Creation of long-term value



Innovation & digital transformation
Development of innovative





The materiality results and the prioritisation for each group of stakeholders are the following:

	Climate change	Pollution	Water and oceans	Biodiversity and ecosystems	Circular economy	Business conduct	Own employees	Value chain	Affected communities	Consumers	Human rights	Innovation and digital transformation	Safety, health, and crisis management	Sustainable finances
Market														
Shareholders and investors	High	Medium	Medium	Medium	Medium	High	Medium	High	High	Medium	High	Medium	High	High
Financial institutions	High	Medium	Medium	Medium	High	High	Low	Medium	Medium	High	Medium	High	High	High
Competitors	High	High	High	High	High	Medium	Medium	High	High	High	Medium	Medium	Medium	Medium
Democracy														
Governance, public bodies, and regulation	High	High	High	High	Low	Low	Medium	Low	Low	Low	Low	Low	Medium	Low
Political parties	High	High	High	High	High	Low	Low	Low	Low	High	Low	Medium	Medium	High
International institutions	High	High	High	High	Low	Low	Medium	Low	Medium	Low	High	Medium	High	Low
Social and local communities														
NGOs	High	High	High	High	Low	Medium	Medium	Low	High	Low	High	Low	High	Low
Local communities	Medium	Medium	Medium	Medium	Medium	High	Low	Low	High	Medium	Medium	Low	Low	Low
Town councils	High	Low	Low	Low	Low	Medium	Low	High	High	Low	Low	Medium	Medium	Low
Media and opinion leaders	High	Low	Low	Low	Low	High	Medium	Low	Low	Low	Medium	Low	Medium	Low
Value chain														
Business partners	High	Medium	Medium	Medium	Low	Low	Low	Low	High	Low	Low	High	Low	Low
Customers	High	Low	Low	Low	High	Medium	Low	Medium	High	High	Low	High	High	Low
Suppliers	Medium	Low	Low	Low	Medium	High	Low	High	Low	Medium	High	Low	High	Low
Employees	Medium	Low	Low	Low	Low	High	High	Low	Low	Low	Low	Medium	High	Medium

Relevance level ● High ● Medium ● Low



EDP Redes España

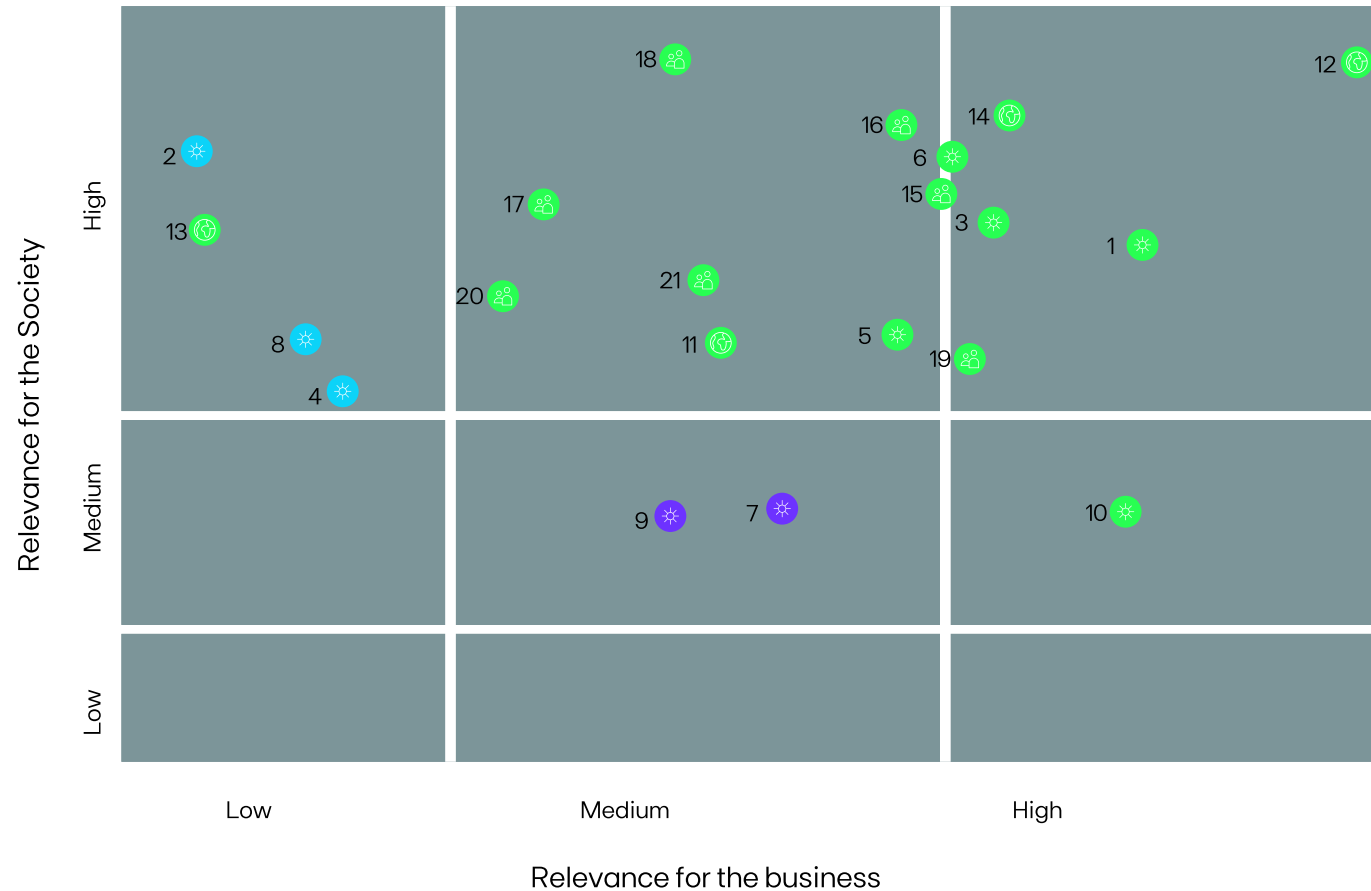
The following matrix is obtained from the analysis of the internal and external relevance. The matrix shown below is divided into 9 sections that represent the materiality level in each category.

The most relevant categories on an external level have been:

- 1. Human and labour rights (93%)
- 2. Climate changes (93%)
- 3. Environmental management (89%)
- 4. Crisis management (88%)
- 5. Energy infrastructures (86%)
- 6. Vulnerable customers (86%)
- 7. Engagement with local communities (83%)
- 8. Communication and transparency (82%)
- 9. Digital transformation (82%)
- 10. Sustainable mobility (79%)
- 11. Promoción de energías renovables (79%)
- 12. Customer satisfaction and services (75%)
- 13. People management (75%)
- 14. Corporate governance (71%)
- 15. Innovation and research (71%)
- 16. Energy efficiency (71%)
- 17. Safety (70%)
- 18. Business ethics (67%)

The most relevant categories on an internal level have been:

- 1. Climate changes (98%)
- 2. Sustainable mobility (80%)
- 3. Supplier management (79%)
- 4. Environmental management (71%)
- 5. Digital transformation (69%)
- 6. Safety (68%)
- 7. Engagement with local communities (67%)



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

Emerging topics

Lastly, as regards Spain, the following emerging topics stand out:

<p>Social and political polarisation risks</p> 	<p>Impact of AI</p> 	<p>Right to accurate/true information</p> 	<p>Social taxonomy</p> 
<p>Challenge of the water and energy resources consumption by major centralised data centres</p> 	<p>Nature taxonomy</p> 	<p>Innovative CO2 capture and storage solutions</p> 	<p>Change of ESG paradigm</p> 

Risk management

Risk governance model

EDP follows a risk governance model recognised in specialised literature, based on the idea of three internal lines of defence in the organisation, which can be supplemented, in certain situations, by a fourth external line of defence, in the form of an external audit, regulation, or supervision.

Each line of defence has designated responsible organs and forums for discussion and decision that are officially set up to materialise each line of defence at a corporate and Business Unit level, avoiding any overlapping and/or omission, and promoting coordination and collaboration among the different areas.

Risk management is represented by the Risk Global Unit and by the local risk areas of the different Business Units (led by their respective risk officers), which report functionally to the Risk Global Unit, guaranteeing smooth articulation and communication as regards the main sources of exposure and risk mitigation measures.

Furthermore, the Group has Risk Committees at both corporate level and at Business Units, where the Top Management and the relevant experts meet to examine, discuss, and advice on risk exposures for the Group, their respective limits, and other mitigation actions.

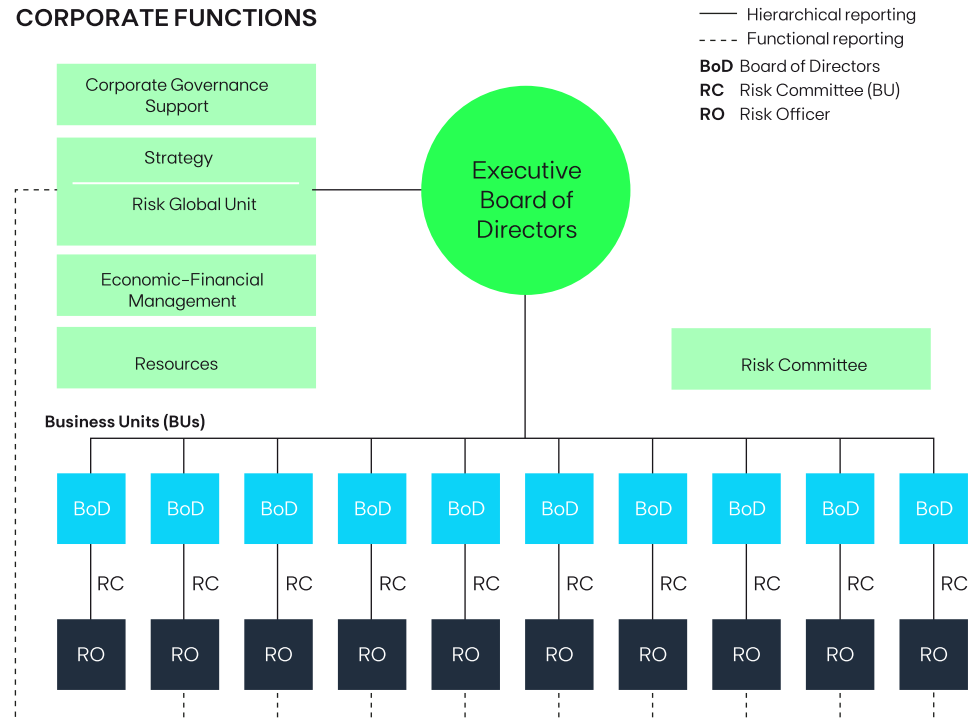
The Corporate Governance Report contains a more detailed description of those involved in EDP's risk governance model, as well as their respective responsibilities, and more detailed information is available in the [EDP Group Risk Governance Model | edp.com](https://www.edp.com)

RISK GOVERNANCE MODEL CONSISTING IN THREE LINES OF DEFENCE

	1st line: Business (responsibility for risks)	2nd line: Risk (supports the analysis and monitoring of risks)	3rd line: Audit (independent supervision)
Mission	Daily running of the business, including proactive management of risks in line with the established risk policies	Support in the identification, analysis, assessment, and monitoring of risks (to support the business)	Performance and coordination of audits, seeking to improve the processes of risk management, control, and corporate governance processes
Rationale	Those benefiting most from the risk should be responsible for taking it	Given the (natural) predisposition of companies to assume risks, it is beneficial to have an independent function specialised	It is beneficial to have an independent entity responsible for the verification and assessment of the risk manage
Involved areas (non exhaustive)	<ul style="list-style-type: none"> Employees, suppliers, and other internal & external entities Risks owners Operating Committees 	<ul style="list-style-type: none"> Risk Management Risk Global Unit Local risk management structures (risk officers and platform coordinators) Compliance & Internal Control Global Unit Risk Committee 	<ul style="list-style-type: none"> Internal Audit

CAE
CGS via FMC/AUDC

CORPORATE FUNCTIONS



¹IA Institute of Internal Auditors, Position Paper, Position Paper, The three lines of defense in effective risk management and control, January 2013



Risk appetite

EDP is exposed to several risks due to its size and the diversity of businesses and geographical areas in which it operates. Therefore, it recognises risk-taking as an integral and unavoidable component of its activity, both in terms of threat and opportunity.

Aware of this fact, the Group explicitly and implicitly establishes its risk appetite for all the internal and external stakeholders, both at corporate and Business Unit level, as well as for the different risk categories, through a series of mechanisms:

- **The development and periodic approval** by the Executive Board of Directors of the Group's Business Plan, which is communicated to all the stakeholders and sets out the main strategic guidelines over a three-to-five-year horizon.
- **The rigorous assessment of the risk** associated with investment and divestment opportunities proposed by the Business Units and approved by the Executive Board of Directors, supported by the opinion of the Investment Committee.
- **The development of a wide set of risk management policies**, both at corporate and Business Unit level, establishing guidelines, assessment methodologies, and exposure limits for key risks².
- **The development of periodic risk maps**, based on objective, quantitative, and comparable criteria, with the aim of analysing exposure to the most relevant risks and taking preventive action to deal with excessive exposure in relation to the established risk tolerance.
- **The development of a wide set of mechanisms** for the periodic notification of the most relevant risks, both at Group and Business Unit level, thus allowing to regularly monitor the development of the current and emerging risks, and compare the exposure to different risk profiles within the established limits.
- **The development of periodic risk reports** for the main risk categories, thus allowing to regularly monitor the development of the current and emerging risks and compare the different exposures to the established limits. The regular reporting of the risk indicators and limits to the Executive Board of Directors and the GSB is in line with the Group's strategy and performance metrics.

The EDP group's risk appetite framework is structured around four pillars:

- **The governance model** identifies the main players in the risk appetite process and their responsibilities.
- **The risk appetite statement** formally defines a set of risk appetite statements complemented by risk indicators and thresholds. In terms of position, maintaining a controlled risk profile has been established as a fundamental pillar of the Group's strategy.
- **The monitoring and follow-up**, defining the key processes of monitoring, update, and action plan.
- **And the reporting platform**, embodied in a risk appetite dashboard, that allows the EDP Group's risk appetite to be monitored.

² These include, among others, the Enterprise Risk Management Policy, the Risk Appetite Framework Policy, the Energy Risk Management Policy, the Financial Management Policy, the Counterparty Risk Policy, the Insurable Risk Management Policy, the Occupational Health and Safety Policy, the Information Security Policy and the Crisis Management and Business Continuity principles, structure, and procedures.

Risk appetite statement of the EDP Group



1st Level Declaration	2nd Level Declaration	KRI (Target)
Balanced business <i>Controlled risk utility, with a strong share of regulated/LT contracted activities, diversified both geographically and across the value chain, with a strong growth focus on renewables</i>	GEOGRAPHICAL CONCENTRATION Geographical diversification and focus on geographies/markets with reduced country risk	Max EBITDA by Market/Country (<50% in Iberia)
	BUSINESS SEGMENTS Diversified portfolio throughout the value chain (generation, grids, and retail) with a strong growth focus on a sustainable medium- and long-term growth in renewable generation	Max EBITDA by Technology
	REGULATED/CONTRACTED Activity focused mainly on regulated or long-term contracted operations	Min Regulated EBITDA / LT Contracted
	REGULATORY MONITORING Foresight of possible high impacting regulatory/political changes on current portfolio and potential new geographies	Max Expected Loss for Regulatory Risk
Solid financials Credit business plan with sound financials aiming for a solid investment grade rating and a sustainable dividend policy.	RATING Alignment between business and financial profiles to target a solid Investment Grade	Min Long-Term Rating (BBB target) Min Funds from Operations/Net Debt (>20%)
	DIVIDENDS Predictability and sustainability of dividend policy as a fundamental element of the shareholders' value proposition.	Max Payout Ratio (recurring Net Income) (target payout of 60-70%) Max Net Income Recurring @Risk
	LIQUIDITY Maintenance of liquidity reserves enough to cover cash needs in the short and medium term in times of stress.	Min Survival Period (coverage > 100%)
	FINANCIAL MARKET RISK Proactive management of the exposure to financial markets, namely FX and IR, controlling the impacts on the business activity. Investments are financed in local currency if possible.	Max P95% Net Investment Loss - Foreign Exchange Max % Variable Rate Debt in EUR and USD Min Duration of Group Debt in EUR and USD
	CREDIT AND COUNTERPARTY Controlled exposure to credit & counterparty risk, favouring higher rated counterparties.	Max Expected Portfolio Loss Max Exposure to non-Investment Grade Counterparties Max Concentration of counterparty exposure
	IMPLEMENTATION OF THE INVESTMENT PLAN Investment in projects with an attractive risk adjusted profitability, limited market exposure, and short time to cash.	Min IRR P90 / WACC (1x)
	SOCIAL LIABILITIES Full coverage of funded social liabilities, through a diversified asset portfolio of limited duration, with new pension plans as defined contribution.	Min Funded Pension Coverage Ratio Value of the Assets-Liabilities Position - Value@Risk
ESG excellence Build a future-proof organisation adherent to the key ESG principles	ENVIRONMENT Leading the energy transition to create higher value accounting for climate change resilience and limiting the environmental impact of the group activities	Min Percentage of Renewable Generation (93% in 2026) Min Percentage of Revenues aligned with the EU taxonomy (70% in 2025)
	SOCIAL People-oriented way of working, with zero tolerance for non-compliance with safety measures, assuring Human and Labour Rights, attracting and retaining diverse top talent, and empowering communities.	Max Rate of Work Accidents Max Work-Related Fatalities (target of 0 fatal accidents)

Operational excellence

Prudent operational risk management, following best-practices and assuring business continuity

<p>GOVERNANCE Maintain the highest standards of ethical behaviour, transparency, and accountability, with zero tolerance to corruption and to any other illicit behaviour or non-compliance with laws and/or regulations, and continuously work towards the enhancement of our governance practices for the benefit of our stakeholders.</p>	<p>Max Outstanding Value of Passive Legal Contingency Max High Integrity Risk Counterparties Min RepRisk Score Leading Position in the DJSI Index</p>
<p>DEVELOPMENT/CONSTRUCTION OF PHYSICAL ASSETS Excellence in project management, limiting risk of CAPEX deviation and COD delays, allowing the fulfilment of the Investment plan.</p>	<p>Max CAPEX Weighted Deviation Max COD Weighted Deviation</p>
<p>AVAILABILITY AND INTEGRITY OF PHYSICAL ASSETS AND ENERGY LOSSES Prudent O&M and security of physical assets, complemented with insurance and contingency and recovery planning, guarantying limited operational losses, outstanding quality of service, and assets availability. Control of technical and non-technical losses through adequate tech, maintenance, operation, and fraud anticipation processes.</p>	<p>Max Losses after Insurance in physical Assets</p>
<p>SECURITY, CONFIDENTIALITY, INTEGRITY, AND AVAILABILITY OF SYSTEMS Prudent management, targeted maintenance, security and availability of IT and OT systems and related services, ensuring resiliency capability under abnormal/disruptive situations.</p>	<p>Min Bitsight Security Performance Rating</p>
<p>PROCESSES Pursue of increasingly efficient and adequately controlled processes, digitalisation and, for business critical and intersecting processes, assurance of business continuity and recovery under abnormal/disruptive situations and minimisation of procedural errors.</p>	<p>Min Digitised Processes</p>
<p>CHAIN VALUE Reinforcement of the effectiveness, sustainability, resilience, and continuity of the supply chain, providing service excellence to customers and partners in a secure manner, while ensuring supplier compliance</p>	<p>Max Supply of High-Risk Regions Max Suppliers Concentration by Product</p>

Risk monitoring

EDP has a comprehensive risk monitoring framework to safeguard its operations and investments, reporting on a recurring basis to the Executive Board of Directors and Risk Committee.

At the forefront of this strategy is the annual mapping of risks, complemented by quarterly interim updates, to identify, quantify, and prioritise the risks of the different categories of the risk taxonomy.

The quarterly risk appetite dashboard is a vital tool that systematically assesses the company's risk exposure, comparing the value of the KRIs with the limits defined in the Risk Appetite Statement. The table above shows some examples of these limits, within brackets.

In addition, the Risk Global Unit prepares a fortnightly risk report focused on controlling energy and financial risks, which are more volatile and therefore require more recurrent monitoring.

At local level or for individual policies, there are dedicated reports for monitoring risk, focussed on more operational metrics, some of which updated daily.

To reinforce the risk monitoring infrastructure, EDP has a Group Risk Committee, which includes four annual meetings, as well as risk committees in the different Business Units. These committees play a key role in monitoring risk exposure and defining risk mitigation policies and measures.





Risk management

EDP's risk management endeavours to act in an integrated manner across five fundamental pillars:

	Recurring activities	Developments in 2023	Priorities for 2024
In-depth knowledge about key main sources of risk exposure	<p>Development of the risk map with the main risks for the following year and the Business Plan horizon, with updates for the main risks.</p> <p>Quantitative analysis of exposures (based on expected loss and maximum loss).</p> <p>Development of the climate risk assessment</p> <p>Presence at national and international forums on risk management</p>	<p>Risk analysis of the electric mobility and decentralised solar businesses.</p> <p>Realisation of a project to develop an Ethical Risk framework.</p> <p>Carrying out in-depth risk maps together with the Business Unit teams.</p>	<p>Update of the main strategic and emerging risks analysis for the EDP Group.</p> <p>In-depth analysis of the main IT/OT risks.</p> <p>In-depth analysis of the main operational risks. Further analysis of inflation risk.</p> <p>Strategic reflection on insurance coverage in the Group.</p>
Definition of risk management strategy	<p>Support for explaining and reflecting on risk-return trade-offs (and risk appetite) in key management decisions.</p> <p>Periodic updating of the risk appetite statement, formalised and disclosed in the Annual Report.</p> <p>Periodic updating of specific risk management policies.</p>	<p>Alignment of the EDP Group's Risk Appetite Framework with the new Business Plan.</p> <p>Implementation of the Enterprise Risk Management Roadmap.</p> <p>Implementation of a corporate counterparty risk policy, aligning risk concepts and practices and centralising metrics.</p> <p>Updating the EDP Group's energy risk policy.</p> <p>Updating the EDP Group's foreign exchange risk management policy.</p>	<p>Creation/update of the Risk Appetite Statements of EDP's Business Units based on the Group's update.</p> <p>Extension of the Counterparty Risk Project to the other BUs.</p> <p>Creation of a Financial Risk Policy at Group level.</p> <p>Creation of a framework for analysing and controlling inflation risk.</p> <p>External audit of EDP's risk management system</p>
Active participation of risk in key management decisions and processes	<p>Risk advice on the Business Plan and Budget.</p> <p>Support for investment decisions (including participation in the Investment Committee). Support in defining coverage strategies for key exposures.</p> <p>Analyses and advice on topics with possible impact on the Group's risk profile.</p> <p>Follow-up and control of key exposures (through periodic reports at group level and for the most relevant BUs).</p> <p>Periodical Risk Committees (for debate of key sources of risk exposures and treatment measures)</p>	<p>Strategic risk reflection for the EDP Group Business Plan.</p> <p>Active participation of the risk teams of EDP's Business Units in the evaluation of EDP group investments.</p>	<p>Creation/updating of reports to monitor the risk exposures set out in the Risk Appetite Statements of EDP's Business Units.</p>



	Recurring activities	Developments in 2023	Priorities for 2024
<p>Formalisation of the risk governance model</p>	<p>Updating the EDP Group's risk management policies and principles.</p>	<p>Updating the EDP Group's Enterprise Risk Management Policy. Continued support for the dynamization of the risk-officer network and the maturing of the risk function (in the BUs with more recent risk governance models).</p>	<p>Updating the EDP group's Enterprise Risk Management Manual.</p>
<p>Promoting a solid risk culture throughout the organisation</p>	<p>Carrying out a wide range of awareness initiatives, adapted to the different target audiences:</p> <ul style="list-style-type: none"> • Training on risk issues and new trends in risk management at the Annual Meeting of the Audit Committees, for members of the General and Supervisory Board. • Specialised courses for all employees (e.g., ethics, health and safety, cyber security). • Programme to boost the EDP Group's network of risk officers: quarterly individual meetings, annual planning meeting, sharing of information in the ERM Repository, quarterly masterclasses, annual meeting of risk officers, and participation in Risk Committees. • Annual Risk Summit to promote a risk culture and train risk officers and their teams, as well as members of the Risk Committee (such as Internal Audit) and members of the General and Supervisory Board. 	<p>Development of several sessions dedicated to risk for senior management (executives and non-executives): four Risk Committees dedicated to analysing the main risk issues with senior executive management; participation in two sessions of the Financial Matters Committee, and three plenary sessions with the General and Supervisory Board.</p> <p>Training workshop for members of the Audit Committees and some members of the General Supervisory Board on ESG risks and new trends in non-financial reporting.</p> <p>Diagnosis of competences in risk teams, with the aim of defining a structural development plan.</p>	<p>Implementation of the development plan based on the diagnosis, with the creation of dedicated training programmes.</p>

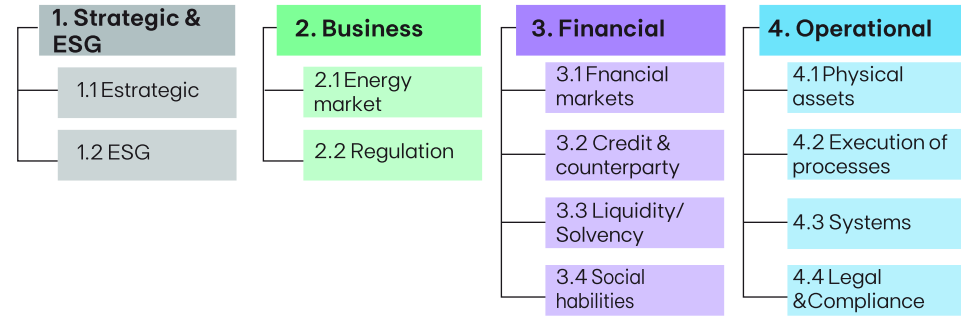
Main risks for 2024

The Group seeks to have a comprehensive view over the key risks it is exposed to, at strategic and ESG, business, financial, and operational levels, establishing processes to ensure their monitoring and proactive management.

Year 2023 continued to be marked by the geopolitical crisis caused by the conflict in Ukraine, resulting in an energy crisis. The financial markets also noted some concern about the sharp rise in inflation and increase in interest rates. Risk management reaffirmed its importance, playing an essential role in this disruptive context. A detailed description of the various risks relevant to the EDP Group is available on the EDP website: [EDP Risk Taxonomy/edp.com](https://www.edp.com/pt/risco-taxonomia).

The table below details the risks expected to have the greatest potential impact on the group's EBITDA in 2024, in an adverse scenario.

Macro-categories of EDP's Risk Taxonomy



Commodity Prices	Risk associated with changes in commodity prices, essentially due to market exposure in Iberia to electricity, coal, and gas prices. These changes may be due to various factors, namely fluctuations arising from supply and demand dynamics or regulatory changes (national or international) and may impact the company's results.	<ul style="list-style-type: none"> • EDP's business with a high percentage of forward contracts with PPAs, being very protected from price variations within these contracts • Prudent management strategy for residual energy not covered by PPAs, by the Global Energy Management Unit, which negotiates and manages coal, gas, and CO2 licence contracts, and is also responsible for mitigating price risk via hedging (including exchange rate risk in US dollars, in coordination with the Finance Global Unit).
Regulation	Risks related to legislative and regulatory changes that the Group is obliged to comply with in the different geographies and markets in which it operates (namely sector packages, regulatory models, environmental legislation, taxes, and other). Adverse regulatory changes could have a negative impact on the company's results.	<ul style="list-style-type: none"> • Proactive management through careful monitoring and preparation of the several dossiers, as well as the adoption of a constructive and cooperative stance when discussing them, making it possible to anticipate and minimise the materialisation of options that are unsuited to the reality of the various market contexts in which the Group operates.
Counterparty	Risk associated with the potential default (or increase in relation to the expected level of default) of contractual obligations from customers, energy counterparties, financial counterparties (essentially associated with deposits with financial institutions and financial derivatives), and/or suppliers.	<ul style="list-style-type: none"> • Diversification of counterparties, with limits on the concentration and percentage of exposures below Investment Grade. • Careful analysis of counterparties, differentiating risk limits between counterparties, promoting contracts with those with the best credit quality. • Use of counterparty risk mitigation instruments, such as financial guarantees, clearing and credit insurance, where appropriate.
Physical Assets under Construction	Risk associated with Capex deviations and/or COD delay beyond what was estimated in the investment decision, leading to potential impacts on the current year (less revenue and more costs) and on the profitability of investments.	<ul style="list-style-type: none"> • Timely contacting of equipment and EPC, to reduce the risk of cost increases or unavailability of the supply chain after commitments to projects have been made.

The quantification of EDP's risks is based on the potential loss in EBITDA, in a P95% scenario, estimated through the application of Monte Carlo simulations. Monte Carlo simulation, through the definition of probabilistic distributions for each risk factor/variable, allows to simulate possible future outcomes; for each simulation, different values are randomly generated for each of the probability distributions of the various risk variables (inputs). The result of a Monte Carlo

simulation is a probability distribution, i.e., a representation of the different possible future outcomes and their probability of occurrence. In addition, EDP also makes a qualitative assessment of the potential financial impact and probability/likelihood of each risk.

Climate risks

Introduction

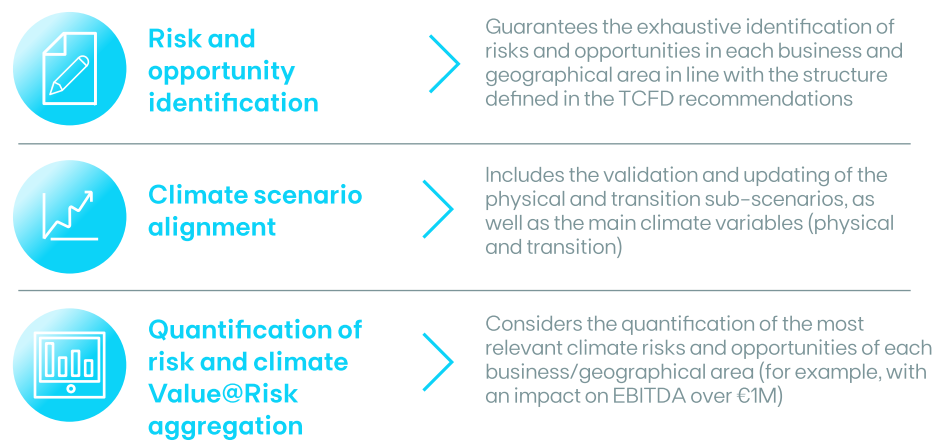
In 2017, the TCFD (Task Force on Climate-related Financial Disclosures) issued a set of recommendations on how to analyse, report, and incorporate the climate transition to increase transparency and climate-related information. The EDP Group has adopted these recommendations and in 2021 launched a project to deepen them, including a diagnosis to identify points for improvement and the creation of an annual process to assess climate risks and opportunities.

More detailed information on the TCFD recommendations, governance model, and resilience strategy are available on EDP's website: [EDP Climate Transition Plan/edp.com](https://www.edp.com/edp-climate-transition-plan).

EDP has in place an internal climate risk management governance model, integrated into the global risk management process, to annually review and report on the resilience of EDP's strategy to climate change. The process is overseen by the Energy Planning Global Unit and supported by a team of specialised interlocutors from the different Business Units (risk officers, sustainability officers and energy planning areas).

The process is structured in three distinct phases:

Climate Risk Management Process



EDP's climate risk in 2023

After validating the taxonomy, three climate scenarios were defined that aggregate the physical and the transition scenarios.

Climate scenarios

	Transition scenario	Physical scenario
As green as it gets (AGG)	Net Zero Scenario (IEA)	RCP 2.6 (IPCC)
A bit greener than today (BGT)	Base case scenario (resulting from international sources), assuming that market price changes will not be significant between the two scenarios, due to the short/mid-term nature of transition risks	
Slow move towards transition (SMT)		RCP 8.5 (IPCC)
Time periods assessed	<ul style="list-style-type: none"> • 2025 • 2030 • 2050 	<ul style="list-style-type: none"> • 2025 • 2030 • 2050

Considering a 30-year horizon and for the different scenarios defined, narratives focusing on the various dimensions (social, regulatory, and political, economic and technological, and energy) were constructed and are presented below:

Physical scenarios:

- **RCP 2.6:** considers (1) compliance with the Paris Agreement; (2) that the energy system reaches carbon neutrality by 2070; (3) that the temperature rises between 1.5°C and 2°C; and (4) that the average sea level rises by 0.4m and ocean acidification begins to recover by 2050.



- **RCP 4.5:** considers that (1) the Paris Agreement is not fulfilled; (2) the temperature rises between 2°C and 3°C and extreme temperatures become more frequent; and (3) the sea level rises by 0.5m and many species are unable to adapt.

- **RCP 8.5:** considers that (1) the Paris Agreement is not fulfilled; (2) the temperature rises by more than 3°C; (3) extreme events become more frequent and there are large variations in rainfall; and (4) the sea level rises by 0.7 metres.

Transition scenarios:

- **Net Zero Emissions (NZE) by 2050 Scenario** with internal adjustments: considers (1) the global energy sector reaching net zero CO2 emissions by 2050; (2) economic growth and job creation related to sustainable energy; (3) a more resilient and cleaner energy system; and (4) full international co-operation for sustainable development.

- **Base scenario:** assumes that (1) the announced policies are generally complied with, and no additional effort is made towards sustainable development; and (2) policies, albeit limited, are adopted to reduce the use of fossil fuels, but demand is still high.

- For more detailed information on the physical and transition variables considered, please consult the EDP Climate Transition Plan <https://www.edp.com/en/climate-transition-plan>. The assessment of the of the physical variables was provided by a specialised external consultant, using the Copernicus database and other international databases. The transition variables, namely the evolution of prices, energy demand, and energy mix, are based on scenarios from the IEA and other international sources (e.g., Aurora, Baringa, among others), with the necessary adaptations to the geographical areas where EDP is present.

Quantification, based on the individual analysis of the impact on EBITDA of each risk and opportunity (physical and transition), is carried out by each Business Unit and for each geographical area. This quantification considers the identification of the physical variables and their development according to the experts, and the political/social/economic/technological narratives related to the different scenarios. The quantification method depends on each risk and opportunity using, whenever possible, the direct method (expected loss/gain and maximum loss/gain at P95%) or, alternatively, the indirect method (probability/frequency, average impact and maximum impact at P95%). For the purposes of the Group's analysis, the consolidation of losses and gains is carried out considering correlations among risks and opportunities and among geographical areas.

Short-term risk (5 to 10 years, specifically 2025 and 2030) is mainly related to transition risks, namely energy market design, prices, regulatory framework, and technological developments. Long-term risk (10 to 30 years, specifically 2030 and 2050) is mainly related to physical risks that may affect EDP's asset portfolio, namely regarding extreme temperatures, extreme wind and rain events, and structural changes in physical parameters.

The following table shows, for 2050, the potential impact on the EDP Group of the relevant physical risks (maximum loss P95%) and opportunities (minimum gain P5%) (chronic and acute), considering the physical scenarios RCP 2.6 and RCP 8.5 and relating them to the mitigation measures in place.

RISK	MAIN IMPACT	BUSINESS SEGMENT	QUANTIFICATION			MITIGATION MEASURES
			0-50MC	50-100MC	+100MC	
CHRONIC	Temperature increase	Rise of energy losses. Loss of efficiency. Demand increase.	EDP Group	AGG OPPORT. AND RISK SMT: OPPORT. AND RISK		Natural mitigation, i.e., an increase in temperature will result in an increase in demand. In addition, the EDP Group has an integrated energy risk management and follows a strategy of diversification by business area and geographical area



RISK	MAIN IMPACT	BUSINESS SEGMENT	QUANTIFICATION			MITIGATION MEASURES
			0-50MC	50-100MC	+100MC	
SHARP	Extremes events (wind/rain)	Disruptions of activities (grids) Increase in operating costs Property damage (distribution grids) EDP Group	AGG RISK SMT: RISK			Preventive maintenance in distribution lines, a comprehensive insurance plan, and the EDP Group has also been strengthening business continuity and crisis management plans, minimising the impact on companies and third parties.
	Wildfire					

For transition risks and opportunities, the following tables show the main potential impacts for 2030, considering the IEA's NZE (Net Zero) and Base scenarios (the result of several international sources), and the respective mitigation measures.

RISK	MAIN IMPACT	BUSINESS SEGMENT	QUANTIFICATION			MITIGATION MEASURES
			0-50MC	50-100MC	+100MC	
REGULATORY AND LEGAL	Increased exposure to environmental litigation Changes in product regulation	EDP Group	AGG: RISK SMT: RISK			Strategy of diversification by technology, asset maturity, as well as a close monitoring of government regulation and policies
MARKET	Effect of additional environmental measures on market price variables	EDP Group		AGG RISK SMT: RISK		Focus on the electrification of the economy (through energy services, electric vehicles, among others) as an offsetting strategy
TECHNOLOGICAL	Failure to follow up/delay in adopting new technologies Devaluation/replacement of assets due to technological obsolescence	EDP Group	AGG: RISK SMT: RISK			Close monitoring of market trends, technological development (including emerging technologies across the value chain) together with a clear Innovation Policy focused on the main trends in the sector
REPUTATIONAL	Stakeholders' concerns regarding the company's path to climate transition Implementation failures of environmental measures or market positioning regarding the new climate reality	EDP Group	AGG: RISK SMT: RISK			In a paradigm shift, the Group is strengthening its renewable portfolio, and is committed to attaining 100% renewable capacity by 2030. At the same time, it is recognised for its excellent performance in the various sustainability indexes on which it is ranked, demonstrating its sustainable character and providing evidence of adopted measures and strategies



RISK	MAIN IMPACT	BUSINESS SEGMENT	QUANTIFICATION		
			0-50MC	50-100MC	+100MC
PRODUCTS & SERVICES	Greater electrification leading to increased energy demand Higher need for heating and cooling due to physical risks	EDP Group	AGG OPPORT. SMT : OPPORT.		
RESOURCE EFFICIENCY	Use of more efficient means of transport and consequent increase in installed capacity	EDP Group	AGG OPPORT. SMT : OPPORT.		
MARKET	Access to new markets and consequent increase in installed capacity	EDP Group	AGG OPPORT. SMT : OPORT.		
RESILIENCE	Increase supply chain reliability	EDP Group	AGG OPPORT. SMT : OPPORT.		

Social Risks and Good Governance Revision Project for EDP Redes España

Of particular note for its relevance and novelty is the implementation of an ESG risk revision project focused, fundamentally, on social and good governance risks at EDP Redes España. This project has been a benchmark in the identification, analysis, and detection of mitigation measures in terms of these risks in the EDP Group. The project has been led by DASIC and has been joined by the Risk and Business Continuity area, as well as by those responsible for the Spanish Grids Platform.

An exhaustive diagnosis and analysis of EDP Redes España's information has been carried out, in order to, through a bench with the main international peers in the sector, identify, analyse, and describe risks, including mitigation measures, in the following risk categories that cover 100% of the material issues related to social aspects and good governance:





EDP Sustainability Plan

EDP has assumed a leading role in the energy transition, maintaining and strengthening its commitments to climate neutrality by 2040. Our goals are:

We will be



Decarbonising for a positive climate world

Coal-free by 2025

100% renewable by 2030

Net Zero by 2040

We are

Empowering our communities to play an active role in the energy transition

~€200M
in social investments
(accumulated)

>3.000
new hirings

Protecting our planet and contributing to its regeneration

100%
projects with net
biodiversity
gain monitoring
system

90%
waste recovery
throughout the value
chain

Involving our partners for an impactful transformation

100%
of suppliers
compliant with ESG
rules

90%
of the procurement
volume in line with
EDP's ESG goals

We have

A solid ESG culture that protects and empowers human life

Reach zero fatal accidents

70%
ESG training
received

ESG related remuneration

EDP has assumed a leading role in the energy transition, with ambitious commitments that include dropping coal production by 2025, becoming 100% renewable by 2030, and being Net Zero by 2040, advancing the targets set in the Paris Agreement.

With the slogan 'We Choose Earth', the current 2023 ESG Master Plan was approved with the aim of becoming the world leader in sustainability: 'We will lead the energy transition to have a positive impact on climate through decarbonisation, and we will do this empowering our communities, protecting our planet, and acting jointly with our partners for an effective transformation, driven by a solid ESG culture.'

Therefore, the Sustainability ambition is established on the basis of these 5 pillars:



• We are a Decarbonising

We pursue the Net Zero commitment by 2040, for which, in addition to decarbonising our own activities, we will actively influence on the decarbonisation of our supply chain, we will provide our customers with low-carbon solutions, and we will explore the absorption and offsetting role for residual emissions.



• In order to do this, we want Our communities to have an active role in the energy transition

We seek to generate a positive and long-lasting impact on the communities we serve, with a positive creation of employment, taking into account the creation of direct, indirect, and induced employment during the energy transition.

We will prioritise local employment, retraining, and innovation to support the transition to a low-carbon economy.



• Protecting Our planet

We will promote the regeneration of ecosystems, seizing synergies of land use and nature-based solutions to better address the protection of biodiversity. We intend to measure and assess the efforts to contribute to a positive environment by 2025.



• Acting jointly with Our partners for an effective transformation

We will build a common path with our business partners, collectively working to improve ESG performance. We will help our suppliers to adjust the ESG goals and targets to their respective situations, according to their relevance and maturity.

We will strengthen the execution of agreements to reduce ESG risks in the supply chain.



• And all this will be driven by an ESG culture focused on the creation of long-term value

We will integrate the sustainability values and practices into everything we do and promote. Our first step is to aspire to zero accidents in any of our activities, integrating this culture and boosting the continuous improvement of the processes related to accident prevention as regards all the employees, contractors, and suppliers of services.



The specific EDP Redes España ESG Master Plan, revised in 2023, establishes the Sustainability purpose around the 5 pillars on which the 13 benchmark initiatives are based:



WHAT DO WE WANT

DECARBONISATION

Net Zero acceleration operating group: creation of an internal task force to promote EDP commitment to go from ambition to action, in order to achieve the 'Net Zero Emissions' goal of the Sustainability Plan.

Climate Transition Plan: eestablishing governance, assessing and quantifying risks, and transparently reporting on climate performance (TCFD).

Decarbonisation of the supply chain: accelerating the suppliers' commitment to improve CO2 reporting and keep reporting on the monitoring of scope 3 and emission reduction, with the goal of obtaining the SBTi recognition.

HOW DO WE DO IT

OUR COMMUNITIES



Energy poverty: supporting vulnerable electricity consumers to improve energy efficiency.

Community development: promoting the engagement of stakeholders on an individual project level, getting ahead of risks, managing conflicts, and guaranteeing a just transition.

OUR PLANET



Space4Nature: accelerating the use of nature-based solutions to tackle business challenges, simultaneously supporting biodiversity.

Close the loop: promoting circular economy to optimise the use of resources and boost circular business models.

OUR PARTNERS



Commitment to our partners: promoting the commitment of the supply chain to EDP's strategic sustainability goals, having a positive impact on the community.



DRIVEN BY

ESG CULTURE

ESG risks: definition of an ESG risk taxonomy and integration into the risk policy, the risk management process, and the investment analysis.

Playitsafe: health and safety programme to foster continuous improvement in processes related to accident prevention.

ESG Data: accelerating the collection and consolidation of ESG data, assessing possible automations, and releasing resources for value-added tasks.

Assessment of impact: integrated value analysis based on the actual impact, assessing the financial value and the value of stakeholders in order to ground the decision-making.

Contribution to EDP's Sustainable Development Goals according to the 2023-2026 Strategic Plan



Decarbonise

For a positive impact on climate

- Coal-free by 2025
- 100% renewable by 2030
- Net Zero by 2040



Communities

Educate our communities to play an active role in the energy transition

- ~€200 M social investment in the community (accumulated)
- Status 2023: C88,7M
- >3.000 New contracts
- Status 2023: 1.425



Planet

Protect the planet, contributing to its regeneration



- 100% Projects with systems to monitor biodiversity progress
- Status 2023: 22%
- 90% Recovered waste
- Status 2023: 96%



Partners

Collaborating with our partners for an impactful transformation

- 100% Suppliers compliant with ESG Due Diligence
- Status 2023: 62%
- 90% Procurement volume in accordance with ESG goals
- Status 2023: ~50%



ESG Culture

Una sólida cultura ESG que protege y refuerza el papel de la vida humana



- 100% Suppliers compliant with
- Status 2023: 5
- 70% Employees with ESG training
- Status 2023: 83%
- 31% female leadership
- Status 2023: 29%
- ESG-indexed remuneration

Chapter II Accelerated and sustainable growth



We
Choose
Earth

Chapter II

Accelerated and sustainable growth

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Accelerated and sustainable growth

Customers connected to smart grids

For the third consecutive year, EDP Redes España stands out as a leading company in security and quality of supply, as a result of the investment made in aspects of digitisation and operational improvement of the system to achieve a truly smart grid.

In numbers, the distribution company has 52,848 km of grids and 1,390,525 supply points, operating in the Principality of Asturias, Cantabria, Galicia (Lugo), Castilla y León (Palencia and Burgos), Aragón (Huesca and Zaragoza), Madrid, Catalonia (Barcelona and Tarragona), and the Valencian Region (Valencia and Alicante).

The security and quality of supply are the key aspects for customers. In 2023, EDP Redes España's TIEPI (Interruption Time Equivalent to Installed Power) has maintained its leading position in the historical series with 16.68 minutes (slightly higher than the 15.89 minutes of the previous year), despite the record of different storms and events of force majeure, which demonstrates excellent grid performance.

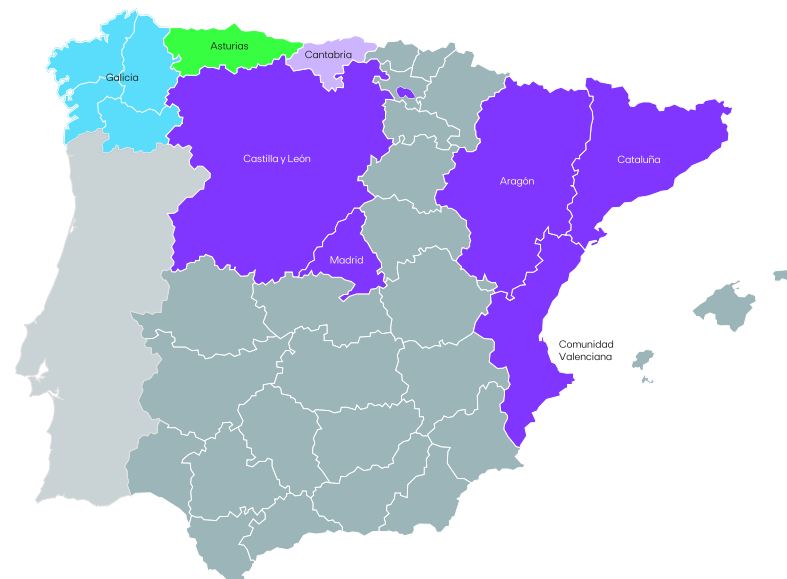
TIEPI (minutes)	15,89
SAIDI MT (#)	48,4
SAIFI MT (#)	0,9
SAIDI BT (#)	20,8
SAIFI BT (#)	0,59

EDP Redes España's total investment in 2023 in its distribution area has amounted to 196 million euros.

This investment is part of the company's ambitious medium-term strategic plan, allocated 864.5 million euros for the 2024–2028 period.

Distributed by year, the investment planned for 2024 is 179 million; 174 million in 2025; 174 million in 2026; and 169 million in each of the years 2027 and 2028.

The distribution of the investment by autonomous region in 2023 is around 49% in Asturias, 26% in Cantabria, 19% in Galicia, and 6% between Castilla y León, the Valencian Region, Aragón, Catalonia, and Madrid.



According to the strategic purpose of the investments, they are segregated into:

	42%	Modernisation	Investments in asset renovation and modernisation; replacement of obsolete assets (for example, assets that have reached the end of their useful life – technical and accounting –, obsolete technology, or harmonisation of grid voltage).
	35%	Digital transformation	<p>These are the investments made in:</p> <ul style="list-style-type: none"> • Grid automation, communications, and digitisation • Specific grid automation and monitoring projects. • Systems. • Smart meters, including remote-controlled meter implementation programs, equipment, and metering systems.
	17%	Electrification and decarbonisation	These are the investments made in new grid capacity, including new customers/connections, new power lines, reinforcements, and additional transformer capacity.
	4%	Resilience and environment	This includes investments related to improving the quality of service and the environment. For example: new connections between lines; transformers and mobile substations, and conductor reinforcement.
	1%	Specific losses	This category includes specific investments to reduce non-technical losses: metering, investments in telemetry, investment in anti-theft wires, replacement of old or broken meters, and other projects.
	1%	Support	These are investments related to facility management and others, for example, equipment, fleet, etc.

Smart grids for the energy transition

Some of the most outstanding projects of 2023 for the digitisation and operational improvement of the grids have been:

Systems plans

During 2023, applications have been developed that have allowed an operational improvement of the company's operations. The main systems put into service during the year were the following:

• Private website, public website, and apps:

In order to improve the customer experience and increase the digitisation of service channels, the websites of the three distribution companies have been completely renewed. The new websites have been designed with a more modern look that simplifies browsing, including more information for the customer, with special sections on self-consumption and electric vehicles.

There are new procedures and tasks available that can be done digitally as demanded by an increasing number of customers – although the traditional telephone channel for household customers has been maintained. They consist of a public area and a private area, and the information and the procedures that can be carried out in each of them have been clearly separated. The public area contains more general information and procedures that require customer identification, while the private area contains information specific to the customer or procedures that need identification. Furthermore, different user profiles have been defined according to the services they need (customers, installers, suppliers, and retailers).

In addition, new Apps have been developed for each distribution company with the most appropriate functionalities for these devices.



E-Redes



Viesgo



BEGASA

• WhatsApp:

A new customer communication channel based on WhatsApp messaging has been created, starting with some first functionalities that will be expanded in depth in 2024

• AMI:

The second stage of the AMI project aimed at the management of low-voltage equipment was concluded. The new AMI communicates with the elements of the Remote Management System, collecting information on readings, load curves, and other information relevant to the business or the operation of the remotely managed equipment. It also allows the execution of service orders by modifying the equipment settings (changes in contracted power, registrations and cancellations, etc.).

• Geoviewer:

With the aim of improving felling and pruning processes, the base information collected by Lidar flights has been loaded into the Geoviewer, which, once analysed and processed, allows automated maintenance orders to be generated.

• Copperleaf Portfolio:

The Copperleaf application has been launched in E-Redes with the aim of optimising the company's portfolio of investment projects according to different criteria: criticality, economic, ESG...

• Data Lake e IOT:

During 2023, progress has been made in the implementation of the company's central and common information repository, where Advanced Analytics developments are carried out, thus allowing the proper use of the millions of data collected from the different systems implemented (AMI, ADMS, IoT, Flash BT, etc.), while the development of new functionalities and use cases continues. Of particular note are the fault reports and the classification of notices received in the Contact Centre (in the case of the Data Lake) and the projects for the monitoring of webcams in the IoT sphere.



Other multi-year integration projects continue satisfactorily in 2024.

Among them, the following should be highlighted:

• **ADMS:**

The project for the unification of the advanced Distribution Management Systems is a strategic project that will conclude in 2025 and will allow for the integration of distribution grid management operations. This is a platform project in which the E-Redes Portugal team and the EDP Group's grid business in Brazil are also involved.

• **Business systems:**

In 2023, the process of integrating Geiser (E-Redes' business system) into DUOS (Viesgo's business system) has been launched, with completion expected in 2025. A study of the best practices in the two distributors has been carried out, proceeding to their implementation on the most modern system (DUOS). This way, the business systems have been unified on the platform, with improvements in the processes related to new supplies, invoicing, collections, and management of third-party access to the grid.

• **EDM:**

Another unification process is EDM, aimed at the measurement treatment systems, integrating the current SLB E-Redes system into Viesgo's EDM, which is called CSA. As in other processes, best practices have been identified and new operational requirements have been generated to deal with the growth of self-consumption or distributed generation.

• **GIS:**

The GIS project continues its implementation in 2024 to adapt it to the Utility Networks model and integrate it with the rest of the corporate systems.

Additionally, the projects that will allow the unification of mobility systems are expected to start in 2024. Likewise, the integration of the INFORED and SGA Asset Management systems, which will evolve towards the SAP S4/HANA platform, are expected to start in 2024.

Another important project involves the technological renewal of the remote management system.

Following the obligation to replace all meters of less than 15 kW (household customers and small businesses) before 2018 – an initiative that was already started in 2011 –, in 2023, the Group has opted for a complete technological renovation of all the components of the remote management system.

The remote management system consists of the following parts: smart meters and data hubs, starting with some initial functionalities that will be expanded in depth in 2024.

• **Meters:**

A new version of the communications protocol (PRIME 1.4) has been developed, within the PRIME Alliance, that improves the previous one in two fundamental aspects: more robust communications with more stable messages and expansion of the communication bands, which allows solving what has been one of the biggest operational problems: the electronic noise that complicated and even in some cases prevented communication through electrical cables.

• **Hubs and other communications equipment:**

For the control of the new PRIME 1.4 smart meters, it is necessary to previously install the hubs and other communications equipment that control the meters, also with the new PRIME 1.4 protocol. The implementation of these devices started in 2023.

Grid automation is another key aspect in the strategy of building ever smarter grids as a lever for the fight against and adaptation against climate change. This way, during 2023, grid automation work has been carried out for the purpose of improving its operation by detecting and isolating fault sections quickly, which reduces the displacement of field teams and the performance of local manoeuvres.

In numbers, 443 transformer substations have been remotely controlled and 108 new remotely controlled overhead switches have been installed in overhead lines. In addition, the Flash BT system has been installed in 1,104 low-voltage panels, which allows real-time voltage and current data from each of the low-voltage lines.

Another very relevant aspect is the continuous decrease in grid losses. During 2023, a low-voltage prototype has been launched that, taking the loss reports per transformer substation as a reference (it compares the measurements taken by the supervisors with those taken by the meters), automatically performs the

analysis of the data to determine the cause (inventory errors, failure of the supervisors, possible fraud, etc.). This automatism is activated where the level of losses is identified as high.

In medium voltage, a study has been carried out in collaboration with the University of Oviedo, to determine the optimal topology of the MV grids in Asturias in order to minimise losses. A total of 8 grid scenarios (peak and off-peak demand at each station) have been considered, developing a specific loss report per MV line to identify possible fraud and/or anomalies in the measurement.

Finally, it is important to highlight the digital transformation and innovation projects, the most relevant examples being:

• **IoT in overhead lines:**

The use case for the immediate detection of wildfires close to the grids was successfully carried out, while new use cases for preventive and corrective grid maintenance are being continuously developed.

• **Use of BVLOS Drones:**

A pilot with the BVLOS drone was successfully carried out, observing the need to implement improvements to increase its autonomy and remote operation at a subsequent stage, for its progress to BRLOS technology (autonomous drones).

• **Grounding monitoring in transformer substations:**

A pilot that avoids onsite grounding measurements through continuous monitoring that identifies degradations requiring corrective attention was successfully carried out. This automatic monitoring brings greater utility to grid operations, such as in the processes of identifying fault bypasses in underground low-voltage line faults.

• **AI for the pinpointing of faults in inspections of overhead low-voltage and medium-voltage lines:**

A pilot with several AI models developed for use cases of faults in assets (broken insulator, anti-climbing, danger signal, etc.) was successfully executed, while the incorporation of new additional cases and their integration into the operational process of the mandatory inspection of overhead lines is being studied.

• **Fire detection via satellite:**

New 3rd generation Copernicus satellites have been incorporated into the original operating system, reducing the maximum time between detecting a fire and reporting it to 15 minutes. At the same time, this information is integrated with the ADMS to make it easier for operators to manage line trips caused by wildfires.

• **Bird detection and protection system:**

Successful development of a pilot for use in isolated supports. A developmental stage is currently being carried out, specifically applied to outdoor transformer substations, which, in addition to avoiding bird incidents, will mean an operational improvement in asset management.

• **Remote-controlled low-voltage switchboards (CB2T):**

Remote-controlled low-voltage switchboards enable advanced monitoring of the low-voltage grid, while optimising the maximum potential of existing mesh grids and increasing asset protection. With this project, an optimal situation is reached in terms of technical flexibility in the grid, thus achieving the highest level of integration of distributed generation and the best indices of continuity and technical quality.

• **Data Lake:**

During 2023, progress has been made in the implementation of the company's central and common information repository, where Advanced Analytics developments are carried out to allow the proper use of the millions of data collected from the different systems implemented (AMI, ADMS, IoT, BT Flash, etc.).



Increased efficiency of our grid

The main lines of action where investment has been made are: modernisation of substations, digitisation of transformer substations, and adaptations or renovation of lines.

Below, we highlight some of the most relevant actions of investment in distribution grids, by geographical area:

Galicia

Extension of the Barreiros substation

The substation has been extended with a new 132-kV position, a 132/20-kV transformer, and 20-kV distribution switchgear. In addition, the first 2 lines have been put into service, which are used to reinforce and improve the reliability of the distribution grid in the A Mariña area.

Comprehensive refurbishment of the Castiñeiro substation

Comprehensive renovation of the substation, replacing the conventional 20-kV switchgear with new encapsulated switchgear with lower fire power, new distribution of auxiliary services, and the replacement of the protection and control system with one featuring new functionalities and IEC61850 protocol, along with the full **renovation of the Carba Substation**.

Replacement of the protection and control system with one featuring new functionalities and IEC61850 protocol.

Undergrounding of the Ceao double circuit

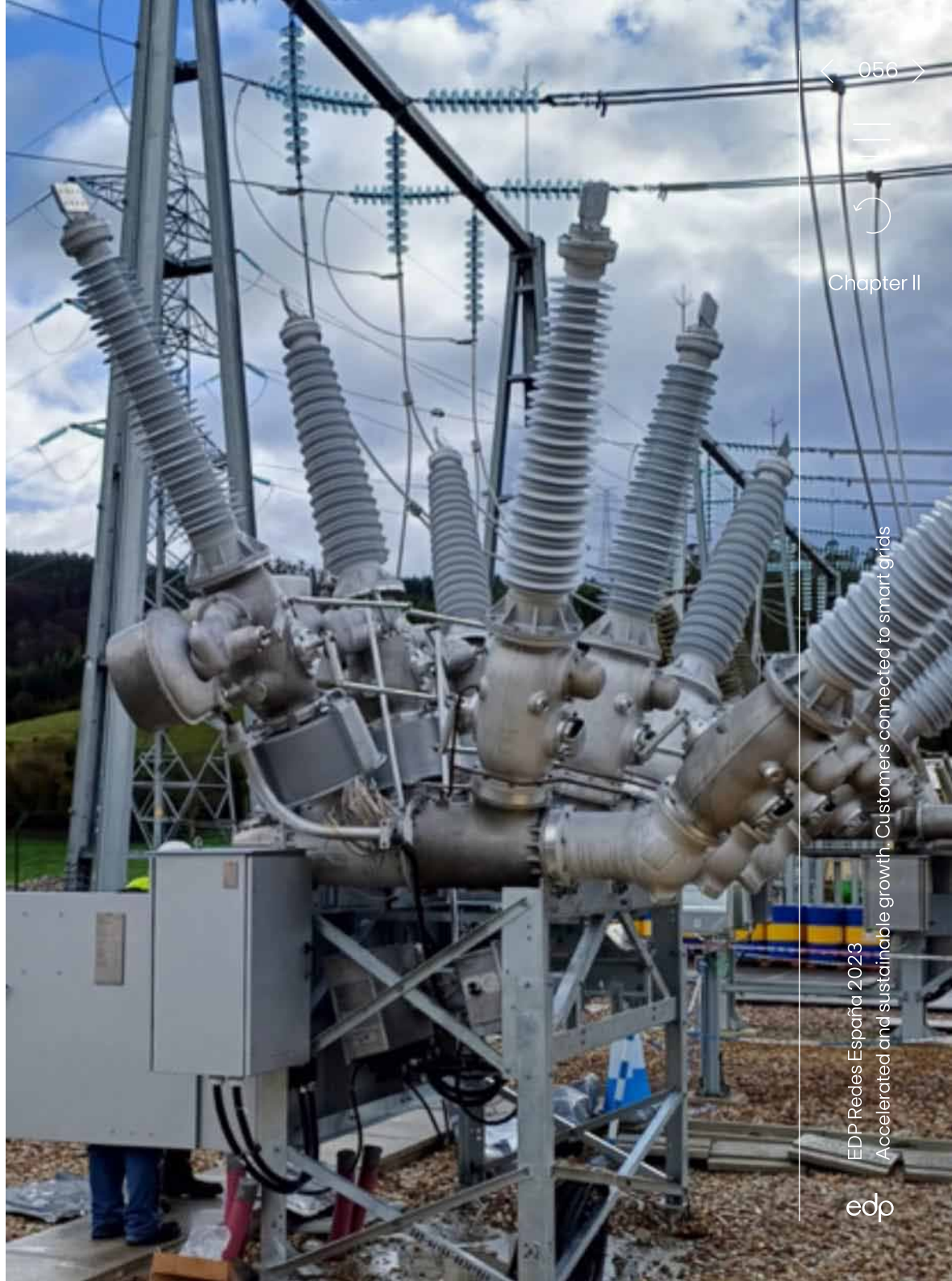
Last stage of the undergrounding and repowering of the double circuit Ceao 1 and 2 that feeds the Ceao Industrial Estate

Adaptation of the overhead line in Illa Pancha

Adaptation of overhead medium-voltage installations in the area of Illa Pancha, Ribadeo municipality.

Ring closing in the 20-kV line in Ferreira and in the 20-kV line in Xove

With the ring closing of a dead-end line, a new supply route is enabled, which improves operating conditions and the response to breakdowns, thus improving the quality of supply in the municipalities of Ferreira de Valadouro and Xove (Lugo).



Cantabria

Extension of the Labarces substation

The substation has been extended with a new 55-kV position, a 55/12-kV transformer and 20-kV distribution switchgear that are used for the output of new lines that improve the reliability of the distribution grid in the area.

Extension of the Arenas de Iguña substation

New 55/12-kV substation to supply energy to new customers, as well as the reinforcement of the distribution grid in the area.

Renovation of the Puente San Miguel substation

Replacement of the 132/55-kV transformer with a new one that complies with eco-design, has polymeric terminals, and incorporates monitorable protection devices and monitoring systems for dissolved gases and terminals, as well as automatic desiccation systems that eliminate silica gel residue. All this reduces both occupational and environmental risks and allows us to better control the condition of the asset.

Renovation and extension of the Ojedo substation

Renovation of 30-kV switchgear, replacing existing conventional switchgear with encapsulated ones featuring a new protection and control system

Renovation of the Candina-Tantín 1 and 2 55-kV line

Replacement of conductors that run through the urban area of Santander.

Undergrounding of the Cacicedo-Corbán and Cacicedo-PCTCAN 55-kV line

- The crossing of the main road and the overhead lines on the industrial estate, among other sections, were undergrounded.
- Fuente La Sirena-La Iglesia connection.
- Connection included in the Piélagos Plan to improve the supply in the area.



Asturias

Renovation of the Santa Cruz substation

Second stage of the comprehensive renovation, consisting in the renovation of all conventional distribution switchgear of both 30 and 12 kV with new encapsulated switchgear, installed in a new building and with a new protection and control system, as well as the replacement of the 30/12-kV transformers with new transformers compliant with eco-design.

Renovation of the Siero substation

Second stage of the comprehensive renovation of the substation, consisting in the replacement of two 132-kV positions with switchgear with polymer insulation that significantly reduces the risk of harm to people in the event of an internal fault. A complete reconditioning of the 220/132-kV autotransformer has also been carried out, including the replacement of the terminals with new polymeric ones, the renovation of the entire protection system, wiring, and control cabinet, incorporating monitorable protections and dissolved gas monitoring systems, as well as automatic desiccators that eliminate silica gel residue. The entire cooling system has also been renewed with new equipment that reduces noise emissions.

Renovation of the La Barca substation

Second stage of the comprehensive renovation of the substation, consisting in the replacement of two 132-kV positions with switchgear with polymer insulation that significantly reduces the risk of harm to people in the event of an internal fault.

Extension of the Almuña substation

The 20-kV switchgear has been extended to reinforce the area's distribution network and supply new customers, using SF6-free encapsulated switchgear.

Renovation of switchgear at the Langreo, Abantro, Miranda, and Villaviciosa substations

Renovation of medium-voltage switchgear, replacing masonry positions or conventional air-insulated switchgear, pull-out carts, and porcelain switchgear, with new encapsulated switchgear involving fewer occupational and environmental risks and new protection and control systems that incorporate new functionalities and protocol IEC61850.



Renovation of the Corredoria substation

Replacement of 132/50-kV transformer 1 with a new one that complies with eco-design, has polymeric terminals, and incorporates monitorable protections and monitoring systems for dissolved gases and terminals, as well as automatic desiccation systems that eliminate silica gel residue. All this reduces both occupational and environmental risks and allows us to better control the condition of the asset.

Renovation of the Villalegre substation

Replacement of a 50/22-kV transformer with a new one that complies with eco-design, has polymeric terminals, and incorporates monitorable protections and monitoring systems for dissolved gases and terminals, as well as automatic desiccation systems that eliminate silica gel residue. All this reduces both occupational and environmental risks and allows us to better control the condition of the asset.

Extension of the North Gijón substation

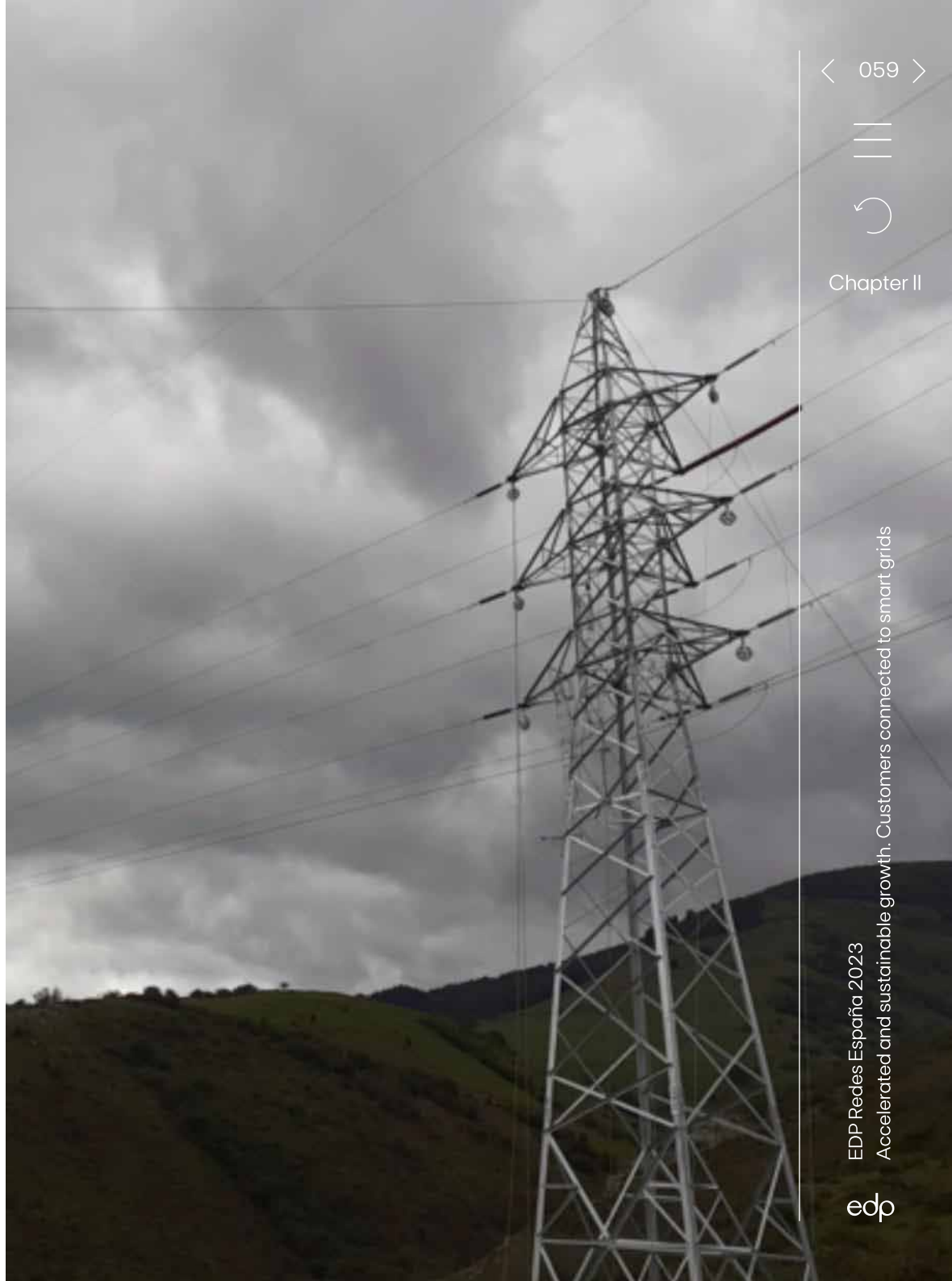
Expansion with a new 132/22-kV transformer that improves the reliability of the distribution in the area.

Renovation of the Carrió substation

Renovation of the tap changer of the 220/132-kV autotransformer 2.

Reconditioning of the Tabiella substation

Comprehensive reconditioning of the 220/132-kV autotransformer including the replacement of the terminals with new polymeric ones, the renovation of the entire protection system, wiring and control cabinet, incorporating monitorable protections and dissolved gas monitoring systems as well as automatic desiccators that eliminate silica gel residue. The entire cooling system has also been replaced with new equipment that reduces noise emissions.



Renovation of the Maruca substation

Renovation of 132/22-kV transformers 1 and 2 with new ones that comply with eco-design, have polymeric terminals, and incorporate monitorable protections and monitoring systems for dissolved gases and terminals, as well as automatic desiccation systems that eliminate silica gel residue. All this reduces both occupational and environmental risks and allows us to better control the condition of the asset.

Renovation of the Vega-Luiña 22-kV line

Replacement of the conductor

Repowering of the Pola and Siero 22-kV lines

Conductor change that allows for greater line capacity.

New power lines in Vegadeo

New lines from the Porzún substation to improve the operation and quality of supply in the Vegadeo area.

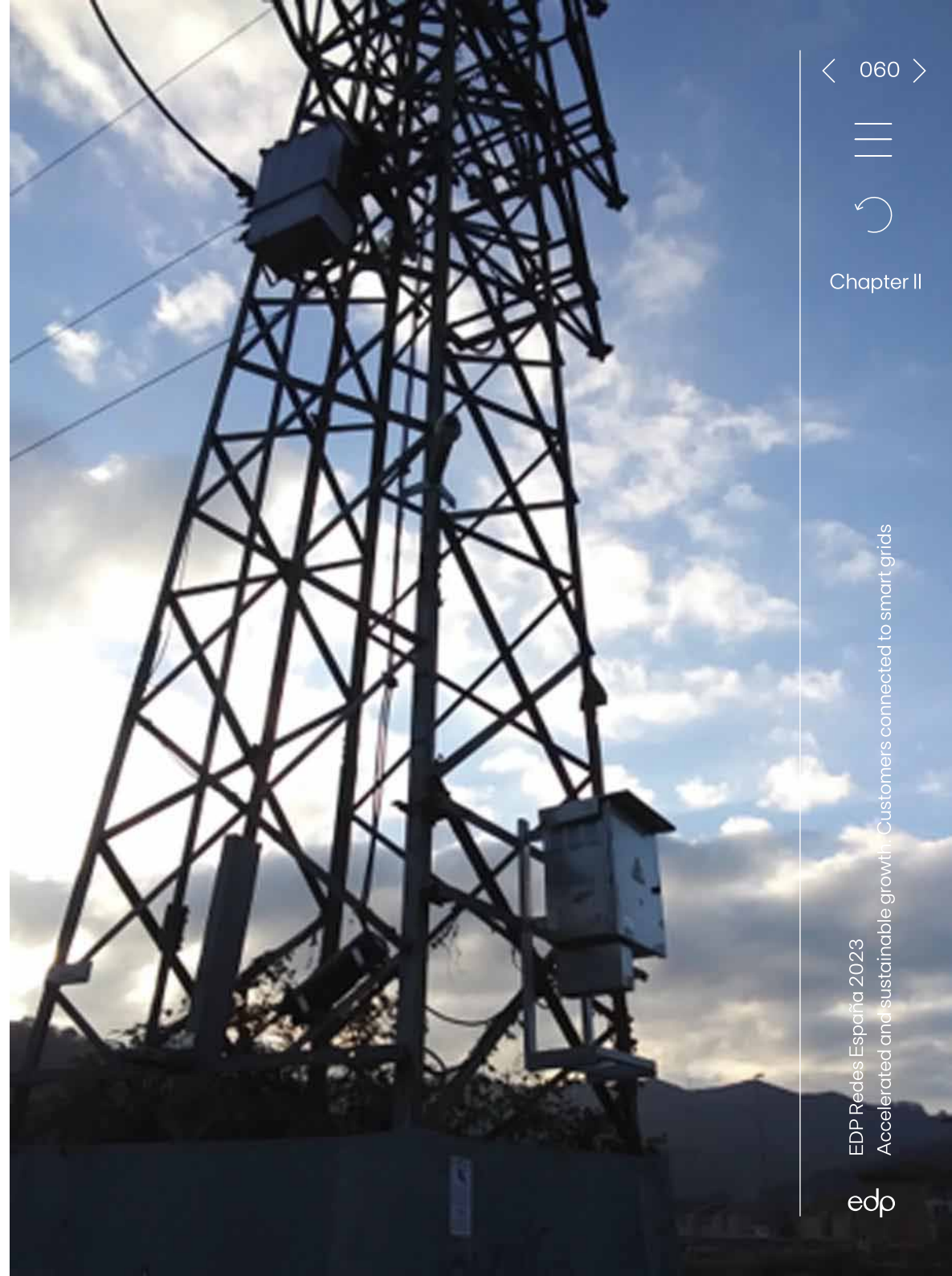
Undergrounding of Figaredo-Turón and Saltos Aller-Legalidad 30-kV lines

Undergrounding that improves the quality of service to the area.

Castilla y León

Renovation of the Aguilar Polígono substation

Renovation of the 30-kV switchgear, replacing the existing conventional ones with others encapsulated with a new protection and control system.





Energy storage

Following the implementation in 2020 and 2021 of two pilot energy storage projects in San Vicente del Monte (Valdáliga, Cantabria) and in the Ribeira de Piquín area (Lugo), EDP Redes España has continued to install small energy storage systems that result in an improvement in the quality of supply in rural areas.

Thus, these actions involve the integration of battery systems in rural grids, in medium and/or low voltage, where, through a specific monitoring, remote control, and telemetry system connected to the control centre, supply is guaranteed in the event of a breakdown or outage, while it also reinforces distribution in the event of an increase in demand.

This way, the quality of the energy supplied by the grid is continuously monitored so that, in the event of a breakdown or power outage, an automatic notification is sent to the control centre, which launches the corresponding operation to correct the incidence. At the same time, the system automatically starts supplying energy from the batteries to customers, ensuring continuity of supply until the main power grid is restored again.

In 2023, battery systems were implemented at the following locations:

Asturias: Installation of a battery in Campo Caso and another in Ibias to maintain the power supply in the event of a power line failure.

Cantabria: Installation of a battery in Bejes to maintain the power supply in the event of a failure of the power lines between Bejes and Treviso.

Lugo: Installation of batteries to maintain the power supply in the event of a power line failure. Two have been installed, one in Lousada and the other in Bolgueiro.

Chapter III Organisation prepared for the future

We
Choose
Earth



Chapter III

Organisation prepared for the future

CHAPTER III

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Organisation prepared for the future

Ethics and Compliance

The activity of the Ethics Office in 2023 continued to be based on the design, management, and implementation of the Ethics Program, started as early as 2019. The ongoing programme, called 'Making Ethics a Reality', aims to reinforce the perspective of the importance of practising 'substantive ethics' in addition to the already established structural framework. The main goals of the programme are integrating ethics into the company's day-to-day operations and aligning corporate ethics policy across the EDP Group.

Thus, during 2023, the new whistleblowing management system was approved, adapted to the requirements of Act 2/2023 of 20 February, regulating the protection of persons who report regulatory and anti-corruption infringements and transposing Directive (EU) 2019/1937, 'Whistleblower Directive', into Spanish law, which includes as its main regulations the Whistleblowing Management System Policy and a Whistleblowing Procedure, along with the update of the whistleblowing channel, which is now called the Speak Up Channel.

Other policies and positions updated during the year were the criminal compliance policy, the integrity policy, the conflict-of-interest procedure, the donation and sponsorship procedure, and the rules of the Criminal Legal Risk Prevention Model (MPRJP), the Competition Compliance Program, and the Competition Manual.

In order to effectively implement all these issues, some relevant improvement actions were implemented, such as the launch of e-learning on the Speak Up channels in the EDP Group, the certification of the environmental management system of the Group's distribution companies, the review of the control operations in relation to access to privileged information within the framework of relevant operations, and the updating of the criminal compliance risk and anti-bribery methodology.

Other highlights have been the development of projects aimed at reinforcing the digitisation of the Compliance function and the compliance programme, with respect to the digitisation of the rules and procedures documentation system and the operationalisation and improvement of the compliance indicators dashboard, projects that will continue to be implemented during 2024.

Likewise, a Compliance Function Survey was conducted, producing a score of 8.7 out of 10, with aspects such as availability, response time, and quality of methodological support being the most valued.

In terms of improving awareness and sensitization, a series of global actions have been developed with an impact on EDP Redes España. The following stand out:



Compliance Golden Rules



The energy of Ethics



Approaching Ethics

“Compliance Golden Rules”: It promotes the adoption of best practices and the creation of internal risk prevention and management mechanisms, dealing with integrity issues such as conflicts of interest, third-party due diligence, and relations with public officials and politically exposed people, as well as other compliance matters such as data protection, financial reporting, etc.

“The energy of Ethics”: publication of short monthly episodes and the voice of employees, dealing with several of the most important topics that make up the Group's code of ethics, with the aim of reflecting on the importance that behaviours can have in the lives of employees and the company. These include, among other aspects, harassment, diversity and equality, cybersecurity, occupational risk prevention, corruption and bribery, and reporting channels.

“Approaching Ethics”: Training sessions for managers aimed at reinforcing the promotion and dissemination of ethics among teams and increasing awareness of how ethics impact results, with the participation of the EDP Group's Ethics Ombudsman and the Compliance Officer of EDP España and with the support of AESE Business School.

In December 2023, new training was launched on the EDP Group's Speak Up Channels, adapted to the new Whistleblowing Management System, a fundamental aspect of Compliance Programmes. This initiative aims to strengthen transparency and knowledge on the part of all employees of these channels, also responding to some of the weaknesses identified in the results of the ethics survey carried out on employees in 2022, in relation to the whistleblowing processes. The percentage of participation until January 2024 already reached 43%, remaining available during 2024.

Similarly, the new Criminal Compliance e-learning, which was renewed and launched in November 2022, 'Follow Criminal Compliance', continued to be promoted. This e-learning strengthens all aspects related to the consequences for employees and for EDP, both in legal and reputational terms. The percentage of completion of this training at EDP Redes España reached 83% of employees.

All this ethical and compliance activity is carried out in a structured way under reference standards, as evidenced by the obtaining of the MPRJP certification under the UNE 19601 Criminal Compliance and ISO 37001 anti-bribery standards, dated April 2023, and whose maintenance audit was passed in January 2024, without non-conformities (NCs).

This Compliance Management System is divided into nine components and nine Specific Compliance Programmes (PECs).

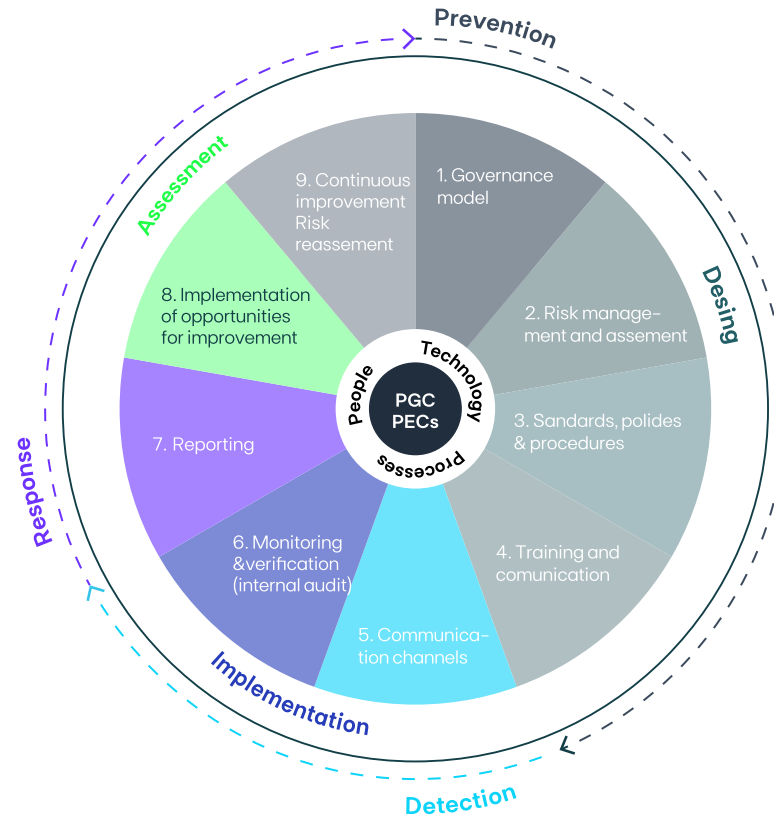
EDP Redes España has implemented all the applicable Specific Compliance Programmes¹, which would be:

- **Criminal Legal Risk Prevention Model (Criminal / Antibribery)**
- **Personal data protection**
- **Internal Financial Reporting Control System**
- **Competition**
- **Unbundling**
- **Environment, health, and safety²**

¹ In Spain, the specific compliance programme for the Prevention of Money Laundering and the Fight against the Financing of Terrorism applies only to the EDP Foundation

² This refers to the management systems implemented in this area, covering compliance risks.

Compliance Management Model



The activity figures within the scope of EDP Redes España in financial year 2023 is summarised as follows

- **Due Diligence on Third Party Integrity (#analysed third parties)**
309 opinions on third parties were issued
- **Complaints**
No complaints were received.
- **Personal data protection**
No complaints were filed and no security breaches were documented.

Recognition of EDP in ESG values

EDP Redes España continuously reports on ESG indicators for the sustainability indices in which the Group participates, as well as specific indices that apply directly to the electricity distribution business, such as the case of GRESB.

The most important indices in which EDP participates are:

- **Sustainalytics**
- **S&P CSA (Dow Jones Sustainability Index)**
- **FTSE4Good**
- **ISS ESG**
- **V.E. (Moody's)**
- **CDP Climate / CDP Water**
- **Bloomberg Gender Equality**
- **Ethisphere**
- **Corporate Knights**
- **MSCI**
- **World Benchmarking Alliance**



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 infrastructures in aspects related to sustainability.

Since 2019, Viesgo has been submitted to this assessment, always obtaining good results. Following Viesgo's integration into EDP in 2021, and having submitted to the GRESB assessment as Viesgo Distribución, but showing the global integration of all ESG aspects in EDP, we reached 93 points.

Year 2022 was the first in which we participated as EDP Redes España, improving the result of 2021, obtaining a score of 96/100.

In 2023, EDP Redes España reached the first position in the sector of electricity distribution companies with 99.71 points out of a maximum of 100.

In addition, the distribution company leads, worldwide, regardless of the sector, the Performance category, competing against a total of 683 entities, which demonstrates excellent operations compared to the rest of the peers and the firm commitment of EDP Redes España to set measurable and comparable objectives in areas such as Diversity and Equity, Health and Safety, and Employee Engagement, as well as Energy Management, Emissions, Biodiversity, and Habitat Management.

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

	Footprint of the asset	Energy efficiency actions and measures taken to monitor and decrease the environmental footprint of the asset.
	Direct social impact	Relationship and impact of the entity on its stakeholders and direct impact of its activities on society.
	Sustainability governance	Sustainability policies, procedures, and approach on an entity or organisational level. Furthermore, it assesses other aspects such as commitment to stakeholders, risks and opportunities, including climate change and transition ones, and the level of transparency of the company.

This leadership is the result of the collaboration of the Grids Business Divisions with DASIC, thus recognising the operational excellence with GRESB and standing out externally as a benchmark to be taken into account in front of our peers.

EDP: World leader in the Dow Jones Sustainability Index

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

EDP has once again been recognised as the world's most sustainable electricity company, ranking first in the S&P Dow Jones Sustainability Indices (DJSI) World. With a score of 88 out of 100, EDP has outperformed all other utilities and achieved a rating above the industry average.

Among a total of 3,500 eligible companies, EDP has been evaluated along with eight other electricity companies and has been found to be the best. EDP has been included in the Dow Jones Sustainability World Index, which includes 321 companies from various sectors, including 15 utilities.

The recognition in this global index reinforces the results of the S&P Global ESG Score assessment that was published in November. This was to be expected due to EDP's global leadership in ESG best practices. In addition, EDP's performance has also earned it a place in the DJSI Europe. In this index, the company is the most sustainable among six utilities out of a group of nine utilities. In addition, EDP is among the 150 companies selected to be part of the European index.

According to the evaluation of the 26 criteria that earned EDP leadership in the DJSI World Index, the company obtained the highest score ('Best in class').

four of them: climate strategy, innovation management, market opportunities, and business ethics.

In the climate strategy indicator, EDP was distinguished by its net-zero emissions plan, supported by consistent reporting in line with the core elements of recommended Climate-related Financial Disclosures (TCFD). In addition, at the beginning of 2023, EDP increased its decarbonisation ambition and announced its commitment to be Net Zero by 2040. An ambitious strategy that was included in the company's Climate Transition Plan presented at the last Annual Shareholders' Meeting and which received 99% approval.

In addition, the EDP Group has shown good results in the field of business ethics thanks to the strategy initiated with the adherence to the United Nations Global Compact, the publication of the Code of Ethics, the existence of an ethics process management system, and the transparent communication of breaches.

In terms of innovation management, EDP connected its first hybrid project (wind and solar) in the Iberian Peninsula to the grid in 2023 (an innovative hybridisation model that it had already implemented in Alqueva in 2022, combining a floating solar park, hydroelectric power, and storage), which represents an additional contribution to decarbonisation and to the increase of renewable energies in the electricity grid.

EDP has also consistently demonstrated its search for new business opportunities in the market. In anticipation of the new energy paradigm, in which generation, distribution, and consumption will be increasingly decentralised, EDP offers a range of energy solutions adapted to the specific needs of different customer segments. Its products and services are competitively priced and contribute to electrification and improved energy efficiency. At DG solar, EDP is a leader in Europe, helping customers to decarbonise: since 2019 it has multiplied its capacity by 25. Sustainable mobility is also important for society and one of EDP's top priorities.

EDP, one of the world's most ethical companies



For the 13th year in a row, the company has been recognised by the Ethisphere Institute, and is the only Portuguese company to have achieved this.

In 2024, EDP will once again be recognised by the Ethisphere Institute as one of the World's Most Ethical Companies, achieving an above-average score, which commends the continuous work it has been doing over the years in the area of business ethics. Once again, it is the only Portuguese company to occupy a place on the list, this year composed of 136 companies from 20 countries and 44 activity sectors, including a group of eight companies from the Energy and Utilities sector in the World's Most Ethical Companies 2024.

The evaluation of the World's Most Ethical Companies is carried out through a questionnaire with more than 200 questions, designed to collect data on ethical culture, ethics and compliance programmes, corporate social responsibility programmes, and impact on the community, as well as other aspects of an ethical organisation, in a conscious and standardised way.





Recognition of EDP in ESG values

EDP wants to be identified as a leader in sustainability, as part of its values and its strategy together with its stakeholders, and as a global driving force.

This is how the ESG Mindset Sustainability-oriented programme emerges, which aims to disseminate EDP's sustainability strategy and achievements internally and externally. For this purpose, Spain participates in different task forces, thematic clusters, observatories, and other initiatives focused on training and awareness-raising, informing and communicating the company's best practices and sharing experiences and ESG trends, while monitoring emerging issues and practices of other stakeholders, all from the perspective of creating shared value together with partners and peers.

Some of these activities, by way of illustration, include:

• Spanish Global Compact Network

EDP Redes España has been a signatory of the Global Compact since 2020.

In 2023, it has renewed its commitment to the Global Compact by completing the online questionnaire developed by the initiative itself and uploading the Sustainability Report as a Progress Report, thus fulfilling the objective of reporting annually on progress in the management of the 10 principles and the contribution to the 2030 Agenda and its 17 Sustainable Development Goals (SDGs).

• Forética:

In 2021, EDP joined Forética, a leading 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 part of the State Council on CSR in Spain.

During 2023, it has actively participated in the Circular Economy and Nature Business Ambition Action Groups, as well as in the Transparency, Good Governance, and Integrity clusters, the Climate Change cluster, and the Social Impact cluster, while being a member, at the highest level, of the Spanish Business Council for Sustainable Development, an advisory body made up of the Chairmen and/or CEOs of the most relevant companies in the country in terms of performance, in which trends, challenges, and solutions are shared.

In September, EDP participated as a sponsor in the ESG Spain 2023: Corporate Sustainability Forum, an annual benchmark event in corporate sustainability in Spain.

• Aelec

Partnership with aeléc, Association of Electric Power Companies, in the dissemination and promotion of aspects related to the energy transition and digital transformation of the electricity sector in Spain throughout its value chain.

• Enerclub

Participation in training activities on energy transition and ESG aspects, highlighting its participation in:

- European Sustainability Reporting Standards (ESRS) in energy companies.
- Energy storage and green transition

• CEOE

Joining the CSR Committee and the following Committees:

- Sustainable Development and Green Transition Committee
- Research, Development, and Innovation Committee
- Corporate Social Responsibility Committee
- Water and Coastal 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
- Agenda 2030 Task Force
- Non-Financial Information Task Force



• **Quality Club:**

Participation in six Expert groups:

- Circular Economy and Environment
- Regulatory Compliance and ESG Criteria
- Finances and Procurement
- Marketing and Sales
- Production
- Leadership and People

At the end of the year, the Sustainability Forum was created, which EDP joined as a partner and sponsor. The Forum was designed as a space for discussion and sharing experiences in sustainability and good governance, with thematic sessions on environmental, social, and good governance aspects, together with a specific session (already in 2024) on sustainable finance and taxonomy.

• **CITECH**

Participation in the 3 public sessions of the #CITECH2023 summit, an innovation and sustainability forum developed with the aim of promoting economic reactivation through the development of new ideas and collective improvements:

- Innovation and sustainability. A future pairing
- Investment, internationalisation, and entrepreneurship
- Innovation, ethics, and sustainability

• **FADE**

Along with the collaboration in different conferences and work sessions on different topics, in 2023, it should be highlighted the collaboration for the edition of the 'Quick Guide to the implementation of the Environmental Quality Act in companies', a document that is prepared as an aid for Asturian companies for the interpretation and effective implementation of Act 1/2023, of 15 March, on Environmental Quality of the Principality of Asturias.

• **CSR commitment:**

Participation in *Anuario de Compromiso RSE* and publications on ESG practices of the EDP Group in Spain.

• **Corresponsables:**

Participation in *Anuario de Corresponsables*, the most relevant publication in the ESG sphere in Latin America.

Publication of noteworthy news and ESG best practices on the *Corresponsables Portal*, which has its own space within the 'Corresponsables' organisations section.

• **COGERSA:**

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 has participated uninterruptedly in the annual event of this initiative, now in its thirteenth year, not only advocating the principles of waste prevention promoted at European level, but also highlighting the EDP Group's initiatives in the field of Circular Economy.

Dissemination of EDP's position in Sustainability

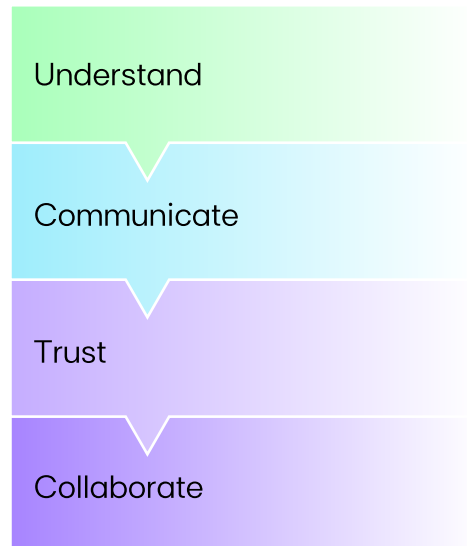
- Media impact: Publications in special CSR pages
- Social media actions: LinkedIn, Twitter, and Instagram

Alignment of the stakeholders with EDP's strategy

Stakeholder management is carried out in accordance with the EDP Group's 2014 Stakeholder Relations Policy and the EDP Group's 2015 Stakeholder Relations Management Methodological Guide. During financial year 2023, the process of reviewing and updating this policy was launched as regards specific aspects of local stakeholder engagement (policy) and its implementation procedure, as well as concerning the EDP Group's interest representation policy. In both cases, the starting point is an effective identification of the stakeholders and organisations of interest to the Group, at any point in the life cycle of the projects and businesses, their involvement, and their relevance.

In terms of stakeholder management, the purpose of the action is to build and strengthen relationships of trust, share knowledge and relevant information, anticipate challenges, and identify new opportunities for cooperation in the face of the challenges that the EDP Group confronts in all the countries in which it operates.

The four main guiding commitments of the Policy are:



The EDP Group's stakeholders are organised into four distinct segments:



Value chain



Market



Democracy



Social & local communities

Value chain

- Customers
- Business partners
- Suppliers

Market

- Competitors
- Financial entities
- Shareholders
- Investors

Democracy

- Governance and public bodies
- Political parties
- International institutions

Social & local communities

- NGOs
- Local communities
- Scientific community
- Town councils
- Media
- Opinion leaders

During financial year 2023, the implications of EDP Redes España's 2023-2026 Business Plan on the different stakeholders have been evaluated and open citizen participation actions have been carried out in the municipalities, giving continuity to the biennial processes of engagement and active listening developed in 2022.

Other processes, mainly linked to engagement in the areas with Distribution assets (Asturias, Cantabria, and Lugo), are in the planning process for 2024, with the results of the previous processes of 2022 remaining valid.



Democracy



In this segment, we work with governments, regulatory agents, political parties, and international institutions and organisations, among others, with the objectives of conveying EDP's commitment to the just energy transition, facilitating the activity of EDP's business platforms in Spain; defending EDP's sectoral positions at European, national, regional, and local level; and anticipating information relevant to EDP's regulatory strategy, as well as EDP's interests vis-à-vis all priority stakeholders.

Therefore, work has been carried out with the coordinating entities of the Climate Change and Biodiversity COP, Eurelectric, aelec, MITERD, MITECO, the Just Transition Institute, Autonomous Regions, and Chambers of Commerce, among others. In all cases, we actively participate in commissions, task forces, technical sessions, project monitoring actions, and sectoral benchmarking.

Market



This segment includes the stakeholders of competitors, business associations, shareholders, and financial institutions. Here, we maintain ongoing relationships with entities such as the CEOE and its regional partners, the Spanish Energy Club, OMIE, UNEF, AEPIBAL, AEH2, COTEC, Ihobe, Fundación Biodiversidad (MITECO), Aemener, Global Compact and the Spanish Global Compact Network, and Forética (as a national partner of the WBCSD). The objectives are to position and make EDP visible as a benchmark in ESG excellence.

Together with all of them, it actively participates in projects and initiatives articulated by its own governing bodies, as well as in more technical and/or operational forums. Of particular note is our participation in the Business Council for Sustainable Development, of which we are part as Forética's promoting partners. We also participate in Commissions, task forces, and sub-groups of CEOE, the Sustainable Mobility Council, the Board of Directors of Aemener, global Global Compact programmes (Early adopters and others), or the Nature Business Ambition and Circular Economy Business Forum (Forética-WBCSD) initiatives.

Social & local communities



The actions together with the social and local communities segment involve massive actions together with the Town Councils of the municipalities in which there are Distribution assets, as well as with the associations of their local social fabric. Together with them, work is being done to adjust and co-design EDP Suma+ actions and projects to their specific needs and expectations

Value chain



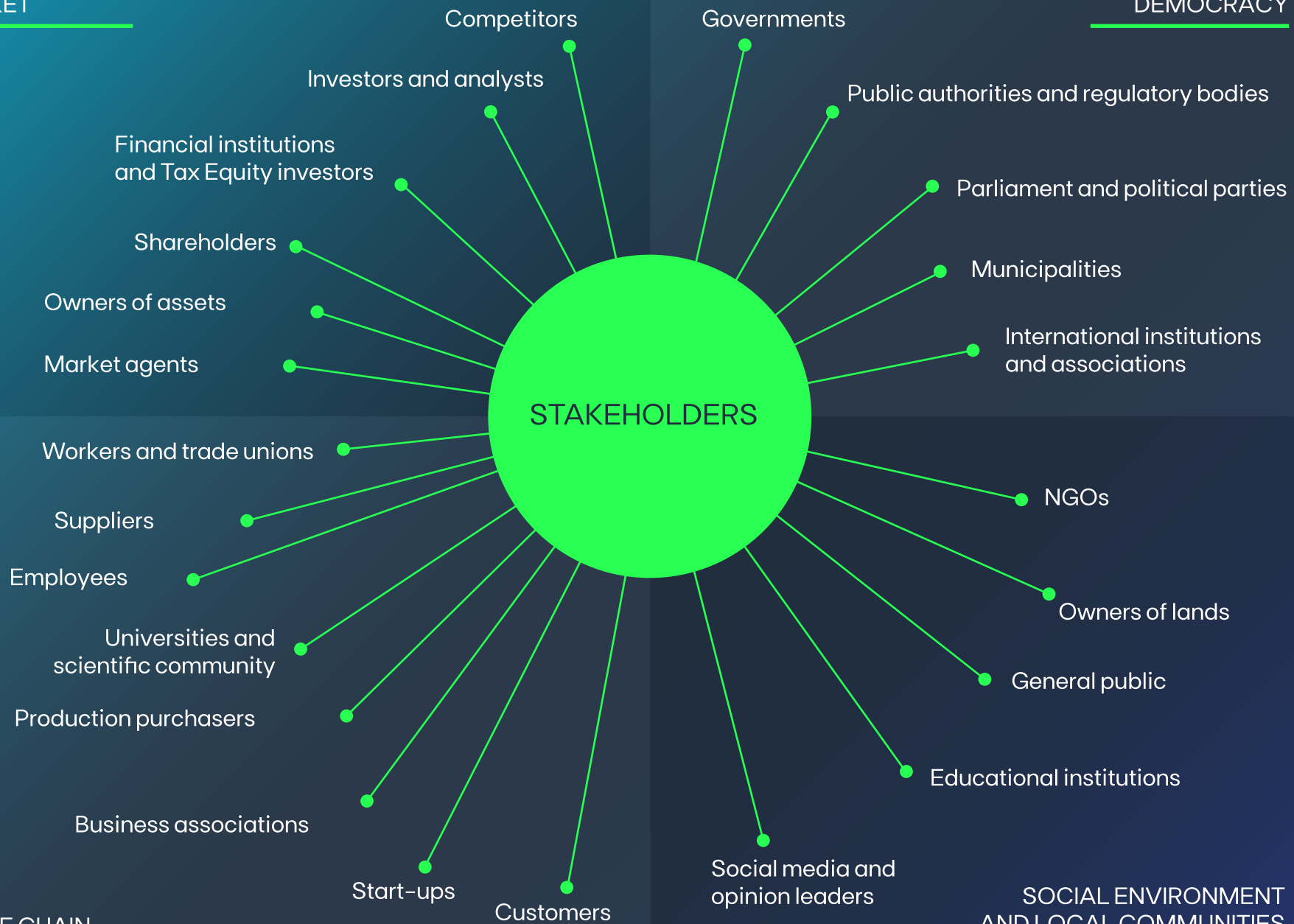
Finally, the Value Chain segment includes the stakeholders directly involved in the business, mainly customers, employees, suppliers, business partners, and universities and the educational community. The objectives of the management of the stakeholders of this segment are to position EDP as a leading and benchmark company in the areas where it has assets, and to promote the success of just transition and economy electrification projects, as well as actions to attract and retain talent.

Among other universities and entities in the world of education, there are collaboration agreements with the UIMP (Cantabria) and specific actions with the University of Oviedo, Santander, and Santiago de Compostela – Lugo Campus.

Segmentation of the EDP Group's stakeholders

MARKET

DEMOCRACY



VALUE CHAIN

SOCIAL ENVIRONMENT
AND LOCAL COMMUNITIES

Policy on local stakeholder engagement

The importance of the commitment of local stakeholders means that they are especially taken into account in the decision-making process in the projects promoted by EDP, in accordance with the existing segmentation and the EDP Group's Stakeholder Relations Policy.

All teams representing EDP, whether employees or suppliers, must recognise that their behaviour has to be aligned with the ESG commitments that the Group has assumed.

The strategic guidelines contained in this Policy will allow interaction, engagement, and collaboration with local stakeholders, ensuring that EDP's internal channels reinforce communication and collect all the information necessary for a more appropriate development of local engagement practices.

Periodic monitoring will be carried out, ensuring risk prevention and greater learning, from a global perspective in accordance with Community rights.

The commitment of local stakeholders is key to EDP's success and plays a crucial role in the implementation of the Group's policies, also ensuring a social license to operate, being a valuable tool throughout its life cycle (concept, planning and permit granting, construction, operation and decommissioning, and asset turnover). EDP's main objective in the engagement of its local stakeholders is to ensure full compliance with laws on Human Rights and the Environment, pursuant to the terms established in the current internal regulations of the EDP Group.



In order to promote a culture of transparency, strengthen the relations with local stakeholders, promote their effective and active participation, and minimise impacts on local communities, EDP has created a Local Stakeholder Engagement Policy, seeking appropriate interaction between EDP and these entities, and creating tangible shared value.

Innovation and digital transformation

EDP's Innovation corporate model

During 2023, the Innovation management model derived from the IMPACT programme implemented in 2021 has reached its maturity.

Regular heads-up sessions have been standardised, in which network experts from the EDP Group companies participate and in which initiatives, projects, and start-ups identified in the field of the networks of the future are shared.

In the field of Innovation Enablement, the first edition of The Spiral intrapreneurship programme took place during 2023. The purpose of the programme is to receive proposals for emerging business opportunities (EBOs) presented by teams of people from the different business areas of the EDP Group. In this first edition, 10 projects presented by mixed teams composed of people from 11 business units and corporate areas from 5 countries were selected. EDP Redes España presented the Fully Autonomous Drones project.

Projects

11 Innovation projects have been executed during 2023, out of an average portfolio of 14 ongoing projects throughout the year, all of them successfully concluded in line with initial expectations. Of the 11: 1 is under implementation, 6 are under decision study, and 4 are in a later stage of improvement.

Most relevant examples:

• **IoT in overhead lines (Environmental and operational improvement)**

Successful development of the use case for immediate detection of wildfires near the grid. The decision on preventive and corrective use cases of the grid itself is being developed.

• **Use of BVLOS Drones (Innovation and operational improvement)**

Successful implementation of the BVLOS drone pilot. Improvements to increase energy autonomy and remote operation distance are in a later execution stage, in order to progress to BRLOS technology (autonomous drones).

• **Grounding monitoring in transformer substations. (Innovation and operational improvement)**

Successful implementation of the pilot that avoids in-situ grounding measurements, inaccurate and costly, and which includes continuous monitoring that identifies degradations that require corrective attention. It is useful for grid operation, as a fault bypass identifier in faults in underground low-voltage lines. Project to be industrialised.

• **AI for pinpointing faults in the inspection of overhead low-voltage and medium-voltage lines. (Innovation and operational improvement)**

Successful execution of the pilot with several models developed for use cases of faults in assets (broken insulator, anti-climbing, hazard signal, etc.). The incorporation of additional cases and their integration into the operational process of the Regulatory Inspection of overhead lines is in the decision-making stage.

• **Fire detection via satellite (Environmental and operational improvement)**

The original system is in operation, while 3rd generation Copernicus satellites are being incorporated, which reduce the maximum time between the identification of a fire and its reporting to 15 minutes. At the same time, this information is integrated with the ADMS to make it easier for the operators to manage line trips caused by wildfires.

• **Bird detection and protection system (Environmental and operational improvement)**

Successful development of the pilot for use in isolated supports. A developmental stage specifically applied to outdoor transformer substations is being developed, which, in addition to avoiding bird incidents, will entail an operational improvement in asset management.

• **Less**

Sensors from the Spanish start-up Sentrifense, formerly known as Less and winner of the Energy Starter programme in 2021, have been installed to test four different use cases: monitoring of possible displacement of supports, monitoring of vegetation growth, detection of ice formation, and estimation of corrosion.

• **Blink**

An equipment batch from the North American start-up Blink Energy has been installed, whose function is to eliminate ice sleeves that form on overhead high-voltage lines. During the winter of 2023-2024, the effectiveness of the devices will be evaluated.

• **Alternate pruning and felling system**

Efficacy tests have been carried out on an autonomous unmanned vehicle that incorporates vegetation cutting elements and has been developed by the Asturian start-up SVMAC. This vehicle has also been evaluated by other business units of the EDP Group for its application in other use cases related to vegetation management in renewable.





Supporting start-ups

EDP Energy Starter is EDP's leading corporate open innovation programme with start-ups. This programme is structured under the division of three domains including 'Future Grids', 'Renewable Energies & Green Hydrogen', and 'Customer Solutions and Mobility'. The solution selection process includes a preliminary stage of defining needs, a stage of global identification of proposals and start-ups, a presentation of potential solutions, and a selection of the innovative companies with the greatest alignment for the subsequent execution of pilot projects with the company.

Specifically, the 'Future Grids' domain culminated with the implementation of a bootcamp between 28 and 30 November 2023 at Viesgo's facilities in Santander (Cantabria). Initially, more than 110 proposals were received in this domain, which were evaluated by 25 EDP experts for a final selection of 9 start-ups participating in the bootcamp. Again, among the pre-selected and shortlisted start-ups, a dominant presence of the Spanish ecosystem was observed, with a marked driving capacity on the part of EDP to mobilise the innovative ecosystem in Spain.

The selected start-ups were the following: the Madrid company 'Alteria Automation' with a smart sensor system proposal for the monitoring of transformers in substations; the Catalan start-up 'Bamboo Energy', with a software platform to manage flexibility in distributed generation; the Portuguese company 'Beyond Vision', a manufacturer of drones with communication systems based on artificial intelligence; the German company 'Cellgrid' with an artificial intelligence-based platform to enable the planning and forecasting of grid demand/consumption; the company 'Infravision', from Australia, with drones focused on the automation of the construction of power lines; two companies specialised in health and safety devices focused on the prevention of risks and accidents in the field, both by 'Rombit' (Belgium) and by 'Safeguard' (USA); and also two companies with smart sensor solutions for the monitoring of power lines, specifically the Finnish company 'Safegrid' and the UK company 'Synaptec'.

In terms of promotion and dissemination, this initiative remains at the forefront of follow-up and impact on the Spanish ecosystem. The communication of this 'Future Grids' domain, throughout its different stages, had a high impact on the media, including the publication of 64 news items, the conducting of radio interviews and articles in digital and written press media, both generalist and specialised in innovation and/or entrepreneurship. In total, a media return valued at 146k EUR was estimated, with a communication plan focused on Spain, Portugal, and Brazil, three key countries where EDP operates.

Additionally, in 2023 the EDP Group participated in a new series of FreeElectrons, the global energy excellence programme, organised by 7 utilities: EDP (Portugal), CLP (Hong Kong), American Electric Power (USA), ESB (Ireland), Origin (Australia), Hydro Quebec (Canada), and E-ON (Germany). This programme aims to identify and promote innovative solutions within different energy contexts through commercial collaboration, pilot projects, and potential investments by energy companies. This year, more than 750 applications were received from more than 80 countries and 29 start-ups were pre-selected for a preliminary bootcamp, after which 15 start-ups were shortlisted. The winning start-up in 2023 was the French company 'Granular Energy' with a platform for the promotion of decarbonisation through the efficient and transparent management of renewable energies and the corresponding emission certificates.

Technology watch and strengthening of EDP Redes España's position

EDP leads the Energy Storage Task Force of the Spanish Technology Platform for Future Grids (Futured). This group presented on 20 April 2023, at a joint event with the Electric Vehicle Task Force, a document that evaluates use cases involving the use of energy storage technologies in the field of electricity grids by Spanish companies. On 10 October, the Futured Annual Meeting was held and the event featured the participation of the CEO of EDP Redes España in one of the round tables.

Likewise, EDP also chairs the Spanish Energy Storage Technology Platform, BatteryPlat, which brings together more than one hundred Spanish entities that aim to promote the development of these technologies.

From 7 to 9 June 2023, EDP was present at the South Summit entrepreneurship event in Madrid with a booth and with the participation of EDP's Innovation and Ventures managers in two round tables and at the panel in charge of assessing the start-ups. EDP contacted more than 50 start-ups and EDP Redes España was represented by a person from the Innovation area.

In addition, on 26 and 27 September 2023, EDP was present at the AI Andalus Innovation Ventures entrepreneurship event in Seville with a booth and with the participation of Innovation managers in a round table. EDP contacted 13 start-ups and companies. This way, EDP connects with the innovation ecosystem of Andalusia.



People

Year 2023 was based on the consolidation of a new narrative in people management through the integration of a global purpose, thus reinforcing employees' sense of belonging and pride: **Our energy and heart drive a better tomorrow.**

Our energy

This purpose dimension reflects the strength, legacy, and motivation of the staff to continuously deliver green energy, leading to an increasingly empowered organisation..

Organisation

EDP remains committed to fostering simple and agile organisational practices, relying on appropriate digital tools to achieve its goals. In this regard, in 2023, EDP continued to dedicate efforts to provide greater empowerment and autonomy to its employees, through improvements in the simplification of organisational levels in the different areas, allowing for a growing decentralisation of decision-making and increased accountability.

Our heart

People are at the heart of EDP's strategy and this dimension of its global purpose reflects their importance and fundamental role in fulfilling the organisation's commitments. The last few years have led the EDP Group to reconsider its working models in favour of a more agile and flexible work environment and to develop an active listening strategy that highlights the work carried out by the organisation in this regard.

Climate survey

The climate survey is a fundamental active listening tool to monitor the different dimensions of the employee experience. This year in Spain we had a record participation result of 86%, being 83% (2 pp more than in 2022) in the Redes Platform in Spain.

In terms of commitment, the Redes Platform in Spain obtained the same result as in 2022, that is, 72% of employees feel involved with the company, where the majority are proud to work at EDP (74%) and intend to stay for at least the next 12 months (89%).

With regard to empowerment, the Redes Platform in Spain rose 7 pp, with 60% feeling they have the opportunity to perform challenging work, 56% believing their skills and abilities are well used, and 58% feeling they have the authority to make the necessary decisions to do their job.

Remuneration and profits

In 2023, the Global Compensation Framework was implemented and communicated to all employees through different internal channels, contributing to a better understanding of their remuneration, as evidenced by the 5-pp increase in the result of the related question in the climate survey compared to the previous year.

This policy is aligned with the best companies in the market and defines a strategy and a common language for the entire Group, allowing global alignment, increasingly transparent communication, as well as mapping all functions and grouping them in a functional matrix and into organisational segments according to the level of responsibility, autonomy, impact on the company, level of knowledge, and skills required.

In June 2023, the benefits communication strategy was reinforced through an online presentation of the entire benefits catalogue, as well as through the creation of a roadmap with the suppliers of our well-being services, given to the main Work Centres for face-to-face explanations to employees.

In November 2023, the new Total Compensation portal was launched in Spain where employees can view not only their monetary remuneration, but also the benefits and measures that the company makes available to them. The purpose of Total Compensation is to inform and facilitate access to the set of existing benefits and measures, resulted from the EDP Group's work and continuous improvement. The company, after analysing the best practices in the market, makes available to employees and their families a wide range of measures to offer the best benefits in terms of work-life balance, development, and well-being.

We also continue with our RECOGNISE Program, which encourages outstanding behaviours and the effort of workers and is aimed at giving visibility to extraordinary and differentiated behaviours and results, either individually or as a team.



Flexibility and well-being

In 2023, the global flexibility measures already implemented were consolidated, with positive feedback from employees, as evidenced by the climate results: the majority say they are satisfied with the flexibility measures and their use and management (with 96% and 98%). Throughout this year, the global well-being strategy was also continued, based on five pillars (physical, social, professional, financial, and emotional). To this end, global awareness campaigns were developed to encourage the adoption of healthy behaviours, promote managerial responsibility, and remind all available channels and support lines.

Between May and June 2023, a Diversity and Wellbeing Moments campaign was held, where some Golden Rules were shared that serve as guiding principles to promote a healthy, inclusive, and productive work environment. Each rule addresses a key aspect of personal well-being and professional growth, with the goal of empowering employees and promoting a positive work culture. By adopting these Golden Rules, individuals are encouraged to set clear boundaries between their personal and professional lives to improve work-life balance, practice active listening to understand different perspectives and promote empathy, value diversity, and consider individual needs for inclusion, ultimately contributing to the overall well-being and success of EDP's global workforce.

EDP believes that a balanced personal and professional life is essential for building more competitive companies and a fairer society, based on flexibility, respect, and equal opportunities. **In this regard, EDP España was once again certified by the Más Familia Foundation as a family-responsible company (efr), a recognition granted this year, for the first time, to the entire Group.** This year, the certification took on a global dimension, reinforcing the excellence of the various measures to balance personal and professional life that is promoted among employees..

Our drive

This dimension of EDP's global purpose reflects the ambition and leadership to bring about change, as an organisation prepared for the challenges of the future.

In 2023, EDP also implemented its first global onboarding policy and a new internal mobility programme. These efforts have resulted in several distinctions, such as recognition by the **Top Employers Institute**, highlighting the EDP Group's strong position among candidates and employees, and its dedication and commitment to attracting and retaining better talent. It was the first time that EDP España has submitted to the demanding analysis of the Top Employer Institute and the first time that the company has been recognised as one of the best companies to work for in Spain. This important milestone highlights the organisation's people management practices, which are at the heart of the strategy. The work environment, sustainability, ethics and integrity, diversity, inclusion, and well-being are some of the main criteria analysed to award this distinction and which reflects the fact that EDP España is an organisation that implements actions aimed at the development of its teams. The Top Employer Institute is a world reference in the recognition of best practices in people management, with more than 30 years of experience and which has already certified more than 1,800 organisations worldwide. The certification programme analyses 350 management practices, through which EDP has been analysed in 20 different areas. Obtaining this certification translates into EDP's ongoing commitment to building an increasingly healthy, balanced, and inclusive work environment, responding to new global trends and the personal and professional needs of an organisation that relies on its people as its main source of energy.

In 2023, EDP España was also ranked in the **Top 10 best companies to work for in Spain** and was the first energy company among the 100 companies selected. The newspaper Actualidad Económica published the ranking 'The Best Companies to Work for in Spain', whose list was the result of an exhaustive questionnaire, which is prepared by independent consultants and experts in the human resources field and in which all companies with more than 100 employees can participate. The experts have assessed talent management, remuneration and compensation, the environment, corporate social responsibility, and training.

Talent development and management

In 2023, the first cycle of holistic assessment was completed, which assesses individual past performance, current skills, and agility to face future challenges, in accordance with the global development mindset implemented the previous year – The Global Development Mindset. The Development Mindset consists of a comprehensive evaluation with a three-pronged approach: performance assessment, competency assessment, and agility assessment.

The consequences of this assessment have allowed the management of talent for succession programmes and the design and implementation of 2 development programmes in Spain: Mentoring and External Coaching. Throughout 2023, we implemented in Spain the ADN Learning Program – for leaders, to become drivers of change, whose purpose is developing the competencies that were identified in the Holistic Assessment as development opportunities (embracing change, vision of the future, orientation to generate impact).

The continuous assessment cycle is based on 2 fundamental pillars:

- **Feedback culture:** Conversations about development need to take place on a regular and ongoing basis, ensuring greater engagement and a sense of belonging, offering our employees opportunities to grow, develop, and feel valued, whereas increased engagement translates into greater retention.
- **New flexible, employee-led learning experience based on their needs.**

The total volume of Redes Platform training in Spain in 2023 resulted in more than 17,200 hours of training, bolstered by global access to on-demand content through Udemy for focused learning anytime, anywhere. To get the most out of the learning process, we must take into account the combination of Training, Social Interaction, and On-Job Experience. Throughout 2023, the employees of the Redes Platform in Spain also participated in closeness initiatives with the Top Management, workshops with Human Resources, and Team Building Days that have engaged more than 350 employees.

With people at the heart of its strategy, EDP will continue to work to achieve an increasingly engaging, humane, and meaningful experience for all its candidates and employees so that it is possible to continue promoting a better tomorrow.



Volunteering

Volunteering at EDP is a fundamental pillar in the company's relationship with communities and it simultaneously contributes to the development of employees, multiplying the purpose and meaning of their work. The areas of intervention in Volunteering are aligned with the EDP Group's Social Investment Policy and focus on social inclusion, empowerment, energy inclusion, biodiversity, and climate action. Plus, it also supports social causes in the local communities in which we operate, responds to emergencies, and facilitates the participation of employees in their own causes.

Over the years, the Volunteering Programme has attracted an increasing number of participants, in particular because it allows devoting hours to the different initiatives during working hours, stressing the important role of volunteering for the EDP Group.

EDP Redes España volunteers have participated in 21 initiatives ranging from charity sales to skill-building volunteering, including environmental volunteering, energy workshops, blood donations, charity sports, or surfing with social entities.

Environmental initiatives

- **Planting of fruit trees in Teverga** (Asturias) together with FAPAS coinciding with the International Day of Forests (21 March): 47 volunteers planted 100 fruit trees and protected cuttings that had already sprouted, repopulating the environment and facilitating the feeding of the Cantabrian brown bear.
- **Cleaning of Xagó beach** (Asturias) together with RENA: 30 volunteers carried out a waste collection on Xagó beach, recovering 104 kilos for treatment.
- **EDP Surf Fest Gijón:** adapted surf day for young people with special needs from the Alarde and Adansi associations.

Voluntariado EDP Global Energy Campaign

- **Enseña Experimentando – Schools:** games and experiments in 14 schools to learn about energy. 32 EDP volunteers have offered 60 workshops in which 1,575 children have participated.
- **Enseña Experimentando – Social entities:** development of the Enseña Experimentando Workshop at the ASPACE entity.
- **1st Global ‘Mueve el corazón’ (Move your heart) initiative:** Global charity challenge involving the donation of €1 per each km done.
- **3rd EDP charity challenge ‘1km-€1’** in the FADE Saludable inter-company challenge, in which EDP was recognised as the ‘Most Caring Company’ accounting for 71 out of the 359 participants from a total of 30 companies.

Energy Campaign. 2023 results





Gijón 360° Mujeres Project, *Quiero Trabajo Foundation*

A team of 17 EDP volunteers participated in the Gijón 360° Mujeres Project, organised by the Quiero Trabajo Foundation, which advocates the improved employability of women at risk of vulnerability and works on emotional intelligence aspects and how to overcome the barriers these women usually encounter when facing a job selection process.



Christmas campaign

Some actions

- Charity street market – Aspace
- Food collection for the Food Bank
- 2nd-hand toy collection for the association ‘Ayuda para Ucrania desde Asturias’
- Collection of new toys, non-war-related and non-gender-biased, for Cruz Roja Bilbao
- Calendar of the Asociación Síndrome Down
- Visit of EDP Three Wise Men messengers to Centro Social María Inmaculada and ‘Haz de Rey Mago’ programme for vulnerable kids
- Gifts for underprivileged people that go to the Siervas de Jesús Soup Kitchen
- Christmas decorations in the Soup Kitchen and delivery of hygiene kits for users
- 9th charity paddle tournament
- 5th charity football mini-league



Results obtained

- 14 initiatives – 493 participants – 825 volunteering hours
- €26,494 in donations
- 2,493 direct beneficiaries from 11 social entities.
- 1,165 kg of food collected in collection points enabled in 14 work centres, such as Aguilar de Campoo, Avilés, Foz, Lugo, Oviedo (Central and Corredoria), Roces-Pumarín, Sagunto, and Santander, to name a few.
- More than 1000 toys donated to Ukrainian hospitals and orphanages
- ‘Reyes a la carta’ gifts for 123 vulnerable children from underprivileged families
- 120 kits of hygiene products
- €7,500 donated in groceries vouchers for families that go to the Soup Kitchen
- 120 kits with 1,200 hygiene products, donated thanks to the EDP Foundation, to people that go to the Soup Kitchen.



Health and safety

In 2023, different task forces have continued their work to promote aspects related to health and safety derived from the integration of processes, systems, and templates from the distribution companies that are part of EDP Redes España.

It is worth mentioning, within the Unified Technical Committee of Live and Proximity Working (CUTeT) for the unification of operational standards in the grids, the preparation of the Unified Operation Standard that harmonizes in all the geographical areas where EDP Redes España operates the operations related to live and proximity working, non-live working, verifications and tests, the new work signalling and demarcation standard, the new locking and interlocking or LOTO standard, and the update of the 5 Golden Rules (5GR).

The development of the Health and Safety Excellence Plan, created at the end of 2021, which contains all of EDP Redes España's safety, health, and environmental improvement actions, continues. The number of such actions has reached 64, being both cross-cutting and specific as a result of the company's own health and safety experiences and the analysis of accidents and incidents, the result of which is expected to bring us even closer to the company's goal of 'Zero accidents and no personal injuries.' In 2023, all the initiatives envisaged in the plan have been completed on time.

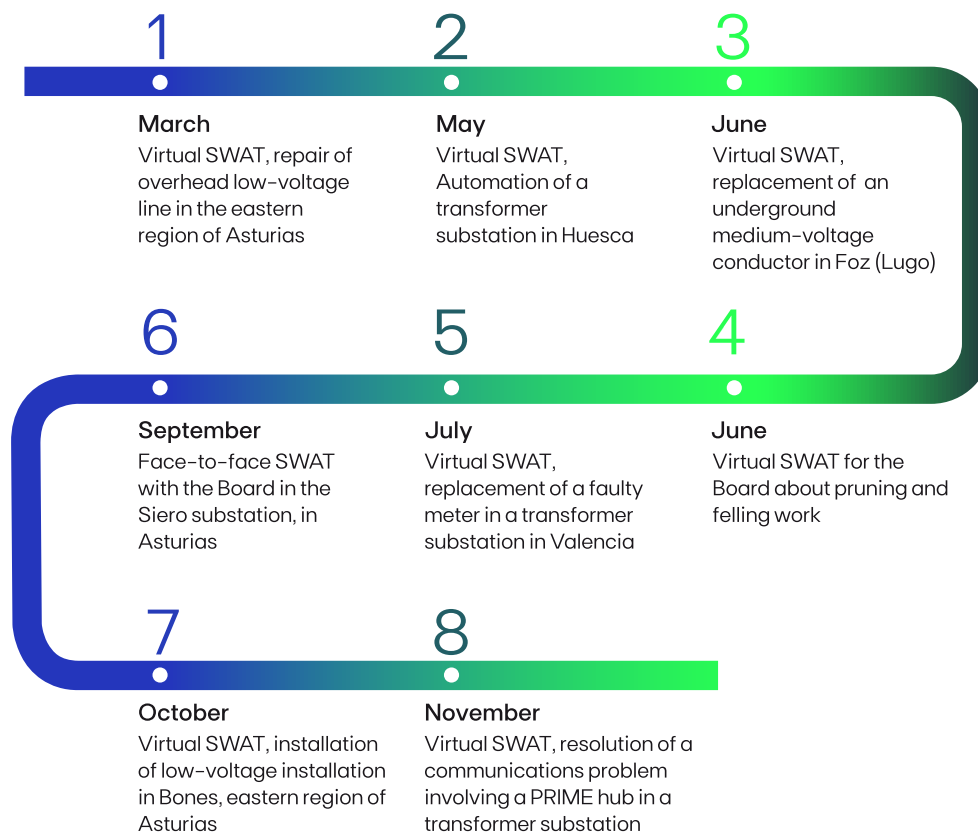
More than a dozen Prevention conferences have been held with contractors and internal staff, in which the news and aspects of preventive improvement in the scope of the integration of the 3 distribution companies have been conveyed.

The operational implementation of the Field Safety Supervision Model has been carried out at a cross-cutting and unified level for the entire EDP Redes. To date, this model gathers more than 10,000 field work supervisions, out of which 6,000 are safety inspections, 2,500 are preventive safety observations, and more than 2,000 are safety, health, and environment coordinated actions. The creation of the SIF team in Spain, trained in SIF inspections and SIF field inspections at EDP Redes España, should be noted.

An internal audit under ISO 45001 was conducted on EDP Redes España – in Asturias, Lugo, Cantabria, and Palencia, the result was 0 NCs (non-conformity). And external audit under ISO 45011 AENOR was conducted on EDP Redes.

España – in Santander, Lugo, Jario, Aguilar, Foz, Llanes, Arriondas, Cangas del Narcea, Zaragoza, Huesca, and Pinto, the result was 0 NCs and several outstanding strengths.

We should also highlight the consolidation of the weekly Safe Start meeting practice (more than 600 so far this year), for 100% of the EDP Redes staff, the weekly HSE Newsletters, which are the backbone and give content to the commented safe starts (which have already reached number 70), the Safe Contacts in operational and management meetings, and the monthly virtual Safety Walk & Talks (SWATs) that allow hundreds of people to learn online about the daily work on the grids and its safety protocols, and to ask questions to the experts performing that work, both from EDP and from partner companies. These are great tools for leadership in health and safety:



We lead the sharing of best practices and safety content, and not only in the Grid Platform, but also in other cross-cutting forums such as Macquarie's DSO Collaboration Forum at European level, with 5 top-tier distribution companies involved.

Work is being done to standardise the use of Last-Minute Risk Assessment in the company. In the case of partner companies that do not have yet computer applications for their own use, they have been provided with a basic tool with essential features.

The use of the Prior Feasibility Analysis has been extended to live and proximity working in high voltage in business areas that did not yet have it implemented.

HSE is actively participating in numerous cross-cutting groups of the REDES platform at the level of EDP's countries (Spain, Portugal and Brazil), with the aim of sharing best practices regarding Health and Safety.

To mention a few:

16–18 August

First sharing session of safety inspections with E-Redes in Bragança, Portugal.

24–26 October

E-Redes Portugal Technician Mentoring Programme.

28 April

Participation in the E-Redes Safety Olympics in Santarém.

22 September

Participation in the job fair in Santander. Specific EDP Redes task force concerning Inovteam-23.

Finally, we combine safety and family through the Safety for Families Open Days (two days in 2023 and the 3rd one already scheduled for the beginning of 2024) to spread our activity and involve our loved ones even further in safety, since we have them in mind when we always put safety first.

Noteworthy project

PLEX, Health and Safety Excellence Project

This plan, which is the backbone of all EDP Redes España's preventive activity, consists of 64 actions as at the year-end, 20 of which were planned to be completed this year, and have been indeed completed on time, and even ahead of schedule. These initiatives contain operational measures of all kinds, such as establishing a rule for halting the activity in the event of a serious or fatal accident throughout EDP Redes España, increasing the presence of the Management Team and Directors in the field, as a tangible sign of commitment to safety, holding a Safety Week once a year that includes activities to strengthen the culture of prevention, both at work and in private life, establishing simple and unambiguous rules for deciding whether it is necessary to appoint a Safety Coordinator in a specific job, developing unified locking, interlocking, and delimitation procedures, establishing a database containing the work planned at least 24 hours in advance, improving the safety training of site supervisors, both regarding the company's own staff and the employees of partner companies, establishing specific Safety Contacts in a wider scope of meetings for all EDP Redes España employees, encouraging a permanent focus on preventive aspects, regularly scheduling meetings with contractor companies to share HSE issues and ensure direct communication and feedback with their HSE managers and leaders, holding regular joint meetings with live work contractors and the live work technical team to discuss key issues related to live working planning and operations, disseminating both internally and externally the importance of the preventive resources in work with specific risk characteristics and its correct designation, compatibilities and incompatibilities, etc.

PlayitSAFE

The Life Saving Rules (LSR) programme is in progress and the 5 LRS of the Group and the 4 LSB have been already published. The unified Consequences Policy at EDP Group level is in progress.

The new Contractor Management Model has been launched to be implemented in the beginning of 2024. It is in the bidding and procurement stage and has been already disseminated among in-house employees and partner companies.

The strategic Health and Safety Communication Plan is being currently developed, and it is expected to be ready in the 1st quarter of 2024.





PlayitSAFE Open Day

In 2023, EDP Redes España held the 10th playitSAFE Open Days in Corredoria, the PCTCAN, and Lugo. The days fulfilled their purpose of educating families and little ones about the work performed by EDP electricity distribution employees and the importance of occupational health and safety in everyone's daily work.

For EDP, people and their safety come first

The employees themselves and those responsible for the Safety Area have presented, in a practical way, the protective equipment and material they use, especially in field work, as well as the vehicles they use to move around. The little ones have put on their helmets, protective visors, dielectric gloves, and even a safety harness to see first-hand what the safety protocols are like. Along with these exhibition spaces, there was an interactive game on prevention.

For EDP, people and their safety come first, which is why it gives visibility to the good prevention and safety practices that employees apply in their daily work.

Business continuity

RESILIENCE

Business Continuity is defined as the capacity of an organisation to continue to perform its critical functions and activities within reasonable timeframes, during emergency or disruptive events.

EDP España is characterised by the resilience and continuous improvement associated with the services provided in all its businesses, acquiring the commitment to formalise a set of principles and guidelines in terms of structure, processes, and tools to support Business Continuity Management, in order to protect, reduce the probability of occurrence, prepare for, respond to, and recover from interruptions, based on uniform criteria and within the established tolerance thresholds.

Since the end of 2022, EDP España has been immersed in an Acceleration Project aimed at increasing its resilience to define a common reference framework in Business Continuity, aligned with the EDP Group's regulations.

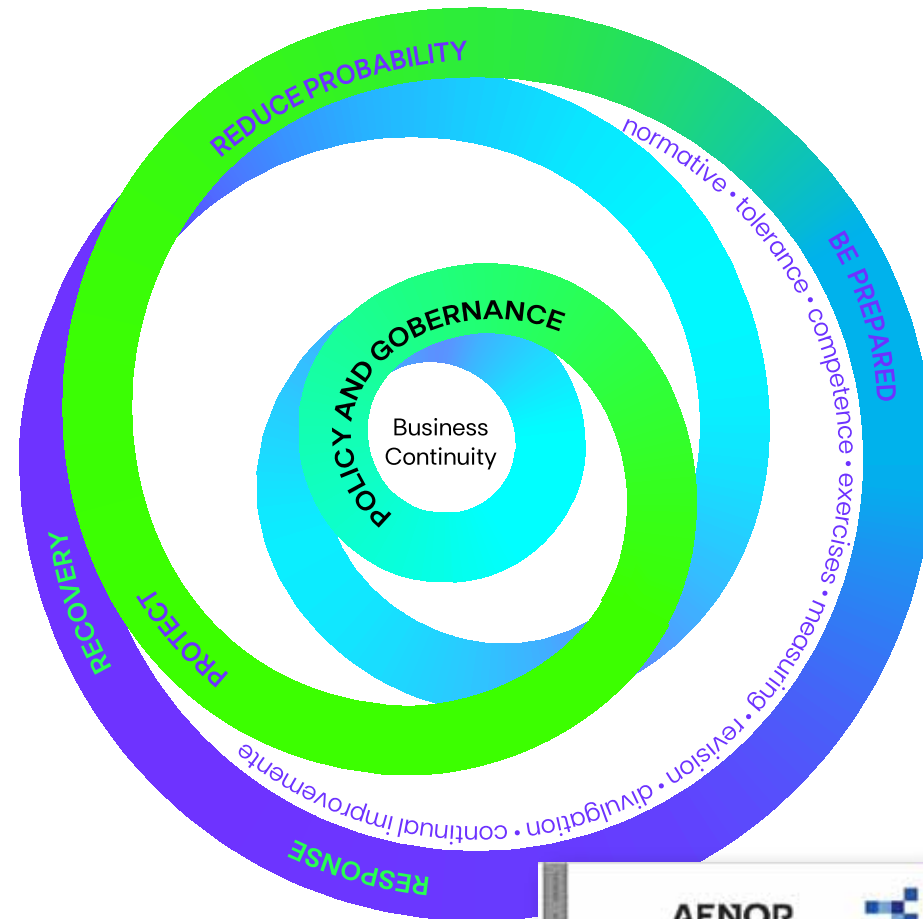
During the month of December 2023, EDP Redes España has obtained the AENOR certification in Business Continuity under the ISO 22301 standard.

It is a very important milestone, because it is the first company in the electricity sector in Spain to obtain the ENAC seal in its certificate, due to orienting business continuity to the distribution processes (operation, maintenance, and management of communications with its customers in case of breakdowns).

ENAC joined the certification audit in order to extend AENOR's accreditation to the '25 – Production and distribution of electricity' sector.

The scope of the Management System includes the Grid Operation and Maintenance processes, as well as Customer Service in the event of breakdowns.

More than 25 activities associated with these processes have been analysed within the BIA (Business Impact Analysis), 12 of which are considered critical.



Resilience-Plans and crisis management

Risk analysis

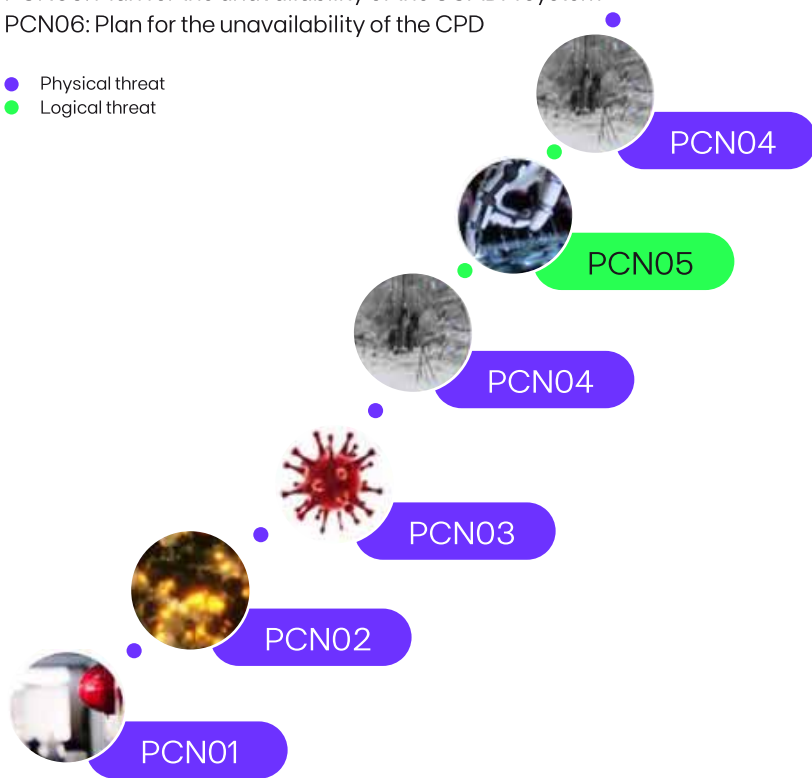
The analysis of risks associated with the unavailability of resources, in the event of materialisation of a threat, has resulted in the implementation of a series of strategies that materialise in the drafting of 6 continuity plans.

Resource families: people, physical or technological assets or infrastructures, and suppliers.

Contingency plans (Business continuity)

- PCN01: Plan for the unavailability of the main control centre
- PCN02: Plan for the unavailability of the main and secondary control centre
- PCN03: Plan for the unavailability of people
- PCN04: Plan for the unavailability of grid elements
- PCN05: Plan for the unavailability of the SCADA system
- PCN06: Plan for the unavailability of the CPD

- Physical threat
- Logical threat



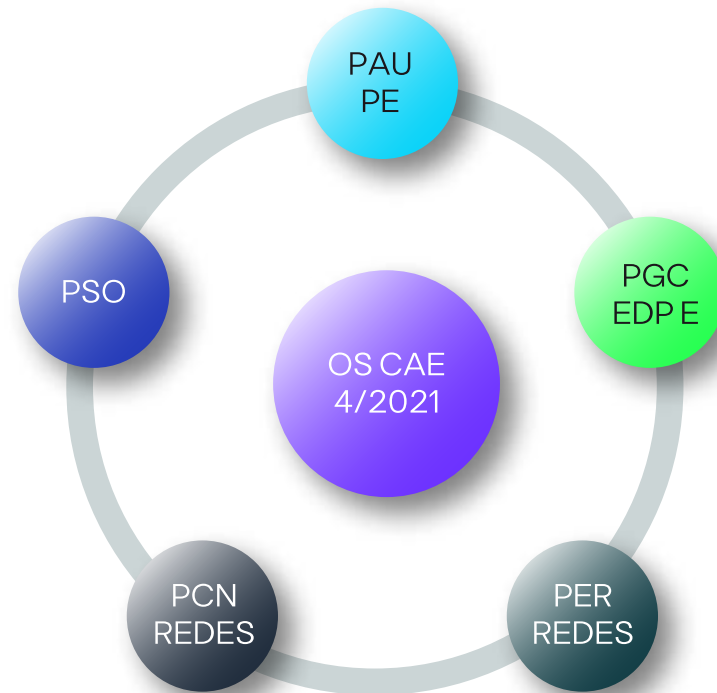
Inter-plan traceability

To achieve even further mature coordination and resilience, a study has also been carried out on the traceability of all the company's plans, making connections between them, and integrating their operational cabinets.

General crisis management framework

EDP Redes España

- **OS 4/2021 CAE:** EDP Crisis Management Plan and Policy
- **PGC EDP E:** EDP España Crisis Management Plan
- **PCN:** EDP Redes España Business Continuity Plans
- **PER:** Redes España Emergency Plan
- **PAU y PE:** Self-protection and installation emergency plans
- **PSO:** Operator Safety Plan (critical infrastructures)



Chapter IV ESG performance



We
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Chapter IV

ESG performance

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01 Decarbonisation

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Decarbonisation

EDP maintains its commitments as a leader in the energy transition: to abandon coal-fired production by 2025, to be climate neutral and 100% renewable by 2030, and to be Net Zero by 2040.

As a sign of this commitment, Miguel Stilwell, CEO of the EDP Group, participated in September 2023, as the only energy company selected to take part, at the headquarters of the United Nations in New York in the Climate Ambition Summit within the scope of the Climate Week. This is one of the most relevant events on the global climate action agenda, which discusses the challenges of the climate crisis, decarbonisation, and carbon neutrality, and it was a preview of the COP28 agenda that took place in Dubai in 2023.

COP28 in Dubái

As a relevant milestone, the first Global Stocktake, which is a fundamental component of the Paris Agreement and seeks to assess the achievement of the agreed goals, was presented in Dubai. It allows us to know the extent to which the commitments made at the national level (NDCs) are being met and what remains to be done to meet these commitments, and, ultimately, to identify what can be done to improve the overall result.

Science calls for a robust mitigation outcome at COP28 that will drive significant emissions reductions by 2030, building on the progress of previous COPs. The energy transition must be accelerated while maintaining the 1.5 °C target. Finance has played an important role, enabling the mechanisms to make the fight against climate change affordable and accessible to developing countries. The consensus is unanimous that COP28 has entailed the real implementation of the Loss and Damage mechanism, which enables the financial muscle so that the most disadvantaged economies can implement adaptation measures that minimise the impact of climate variables.

EDP participated in COP28, with EDP CEO Miguel Stilwell leading the delegation. Rui Teixeira, the Group's CFO, was also present in Dubai. Both held high-level meetings in which they shared EDP's commitments, demonstrating EDP's ambition by 2040.

Carbon footprint

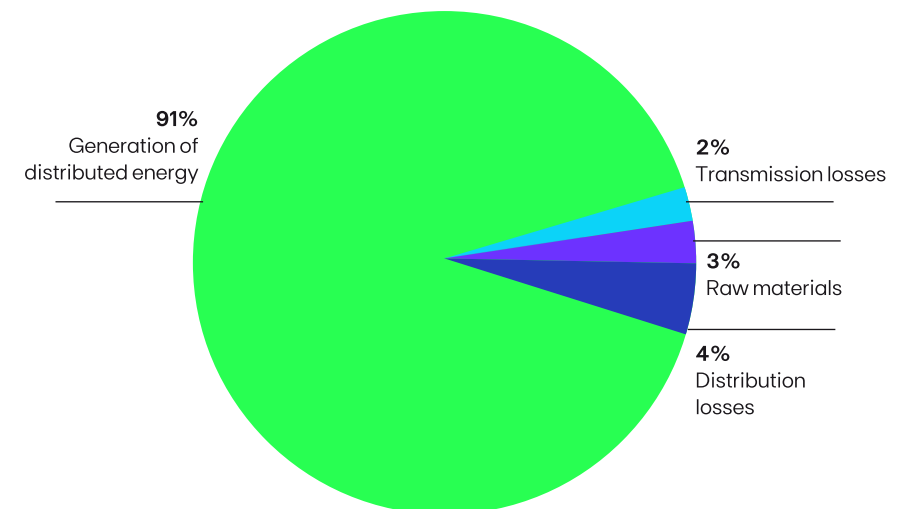
The calculation, verification, and recording of EDP España's carbon footprint has become an unavoidable annual commitment for the company. Knowing the volume of emissions involved in our activity and their origin is essential to be able to define actions to minimise the impact and meet the targets.

At present, the footprint figures for years 2020, 2021, and 2022 are already available, verified and registered at both national and regional level. Preliminary data are available for financial year 2023 and the verification process is expected to be completed in the first half of 2024.

Almost 100% of GHG emissions at EDP Redes España correspond to emissions from the generation mix of the total distributed energy, losses in the distribution and transmission grids, and those related to the raw materials used.

The rest of the categories, as a whole, account for less than 1% of the carbon footprint.

GHG emissions in EDP Redes España:





Below are the main data on EDP Redes España's carbon footprint in 2023 classified by Scope:

Category		Total emissions per emission source (t CO2e)	Total emissions per scope (t CO2e)
Scope 1	Fossil fuels	19,29	2.687,63
	Fluorinated gas leakage	26,55	
	Sulphur hexafluoride leakage	2.046,98	
	Vehicle fleet	594,80	

Scope 1 or direct emissions are those generated by the direct effect of EDP Redes España's activity. The majority of the Scope 1 footprint, 76%, corresponds to SF6 leaks and in second place, with 22%, emissions from the vehicle fleet. The search for alternatives to the use of SF6 in the installed switchgear, as well as the electrification of the vehicle fleet, will contribute to the reduction of this scope.

Category		Total emissions per emission source (t CO2e)	Total emissions per scope (t CO2e)
Scope 2	Distribution losses	62.659,22	62.683,24
	Electricity consumption	24,02	

Scope 2 emissions are indirect emissions related to the electricity purchased and consumed by the organisation. In this chapter, the losses of the distribution grid are the main obstacle, followed by the electricity consumption of the work centres. Although some measures can be taken to reduce losses, they are inherent to the activity and will only be reduced to the extent that the generation system is decarbonised. For the reduction of emissions linked to electricity consumption, any efficiency or net consumption reduction measures will help.

Contracting electricity supplies with companies with Guarantee of origin (GO), as we did in financial year 2023, means that the electricity consumption category has practically zero emissions due to coming from renewable sources.

Category		Total emissions per emission source (t CO2e)	Total emissions per scope (t CO2e)
Scope 3	Generation of distributed energy	1.239.852,44	1.305.690,20
	Generation of retailed energy	24.937,81	
	Transmission and distribution losses	124,34	
	Waste	3,52	
	Water consumption	166,17	
	Transport of raw materials	118,78	
	Business trips	37.582,06	
	Commute	2.905,08	
	Raw materials	19,29	
	Investments	26,55	
Use of gas natural supplied	663.270		

Finally, **Scope 3** emissions include indirect emissions that affect activity, both 'upstream' and 'downstream'. In this section, emissions from distributed energy generation (95%) are the main contributor, followed by raw materials (3%) and losses in the transmission grid (2%). To reduce them, it is necessary to make progress in the decarbonisation of the system, and to ensure that, like us, our customers and suppliers advance on the same path of emission reduction.

It should be noted that the emission factor of the national energy mix was 'decarbonised' by more than 30% in 2023, thus contributing to the significant reduction of both scope 3 and scope 2, due to the direct link of the main categories with the national mix.

Although the registration of the carbon footprint is only foreseen at the level of EDP España, EDP Redes España is provided with a footprint certificate.

	Total emissions per emission source (t CO2e)	Total emissions per scope (t CO2e)
TOTAL (Alcances 1,2,3)	1.371.061,07	1.371.061,07



Mitigation of climate change

After knowing the sources that contribute to an organisation's GHG emissions through the calculation of the Carbon Footprint, the Mitigation Plan defines the actions that will be implemented to reduce it.

Upon the approval of EDP Redes España's Mitigation Plan, which was the first within the EDP Group, four initiatives were identified to reduce the carbon footprint: minimisation of losses, reduction of SF6 emissions, renewable electricity consumption, and sustainable mobility.

The Mitigation Plan has been followed by the Board of EDP Redes España, confirming the progress in all the defined lines. The electricity supply has been contracted with guarantees of origin in all work centres, and the installation of photovoltaic panels in substations and work centres is a reality. The gradual electrification of the vehicle fleet is underway, making it 12% less carbonised. As regards SF6, although there is not yet any available technology that allows planning a transition to a grid without SF6, progress is being made in the early identification of leaks, among others, and the placement and testing of SF6-free equipment. Lastly, in the chapter on loss reduction, operational and asset modification measures are being implemented to contribute to the reduction of the carbon footprint.

All the measures implemented in Redes, together with the acceleration of the decarbonisation of the national system, have allowed scopes 1 and 2 to be reduced by 25% with respect to 2020 by the end of 2023 and the reduction in scope 3 to be around 24%. Both results far exceed the set targets and are in line with the targets defined for 2030 and 2040.

Investments in the digitisation of Distribution

As part of the Recovery, Transformation, and Resilience Plan (PRTR), since 2022 the possibility has been enabled for distribution companies to be granted subsidies to make innovative investments in the digitisation of distribution grids and in charging infrastructures for electric vehicles.

EDP Redes España has presented in 2023 the investments made in this sphere in financial year 2022 by each of the distribution companies (E-Redes, Viesgo and Begasa) which will be analysed by the CNMC in relation to their adequacy to the taxonomy of sustainable finance. As in the case of the 2021 investments

presented in 2022, the fulfilment of the goals was assessed, in accordance with the DNSH (Do No Significant Harm) principle, as well as its contribution to carbon footprint reduction and the circular economy strategy.

Likewise during 2023, all the doubts raised by the CNMC during the audit of the investments presented in 2022 have been addressed.



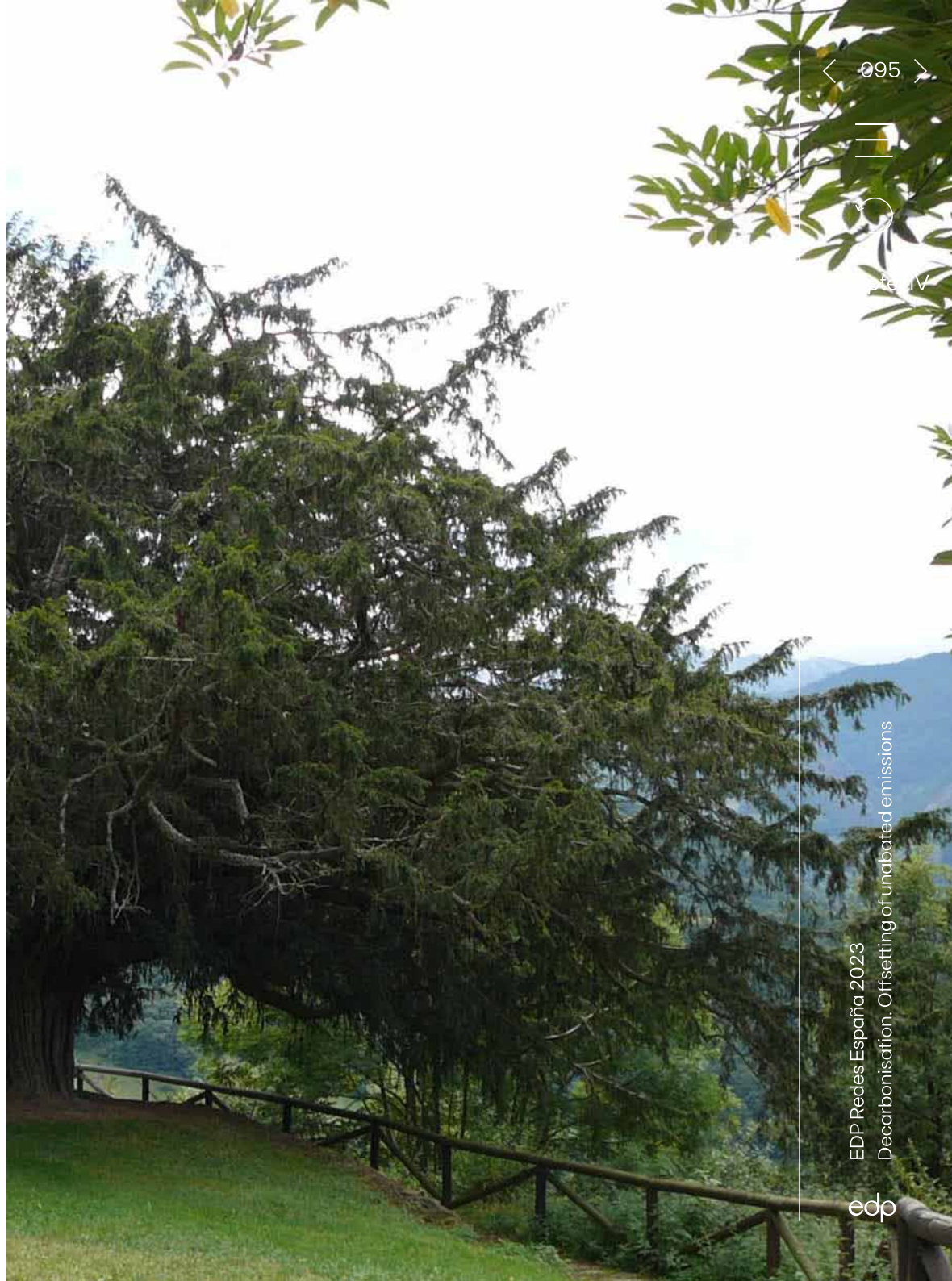
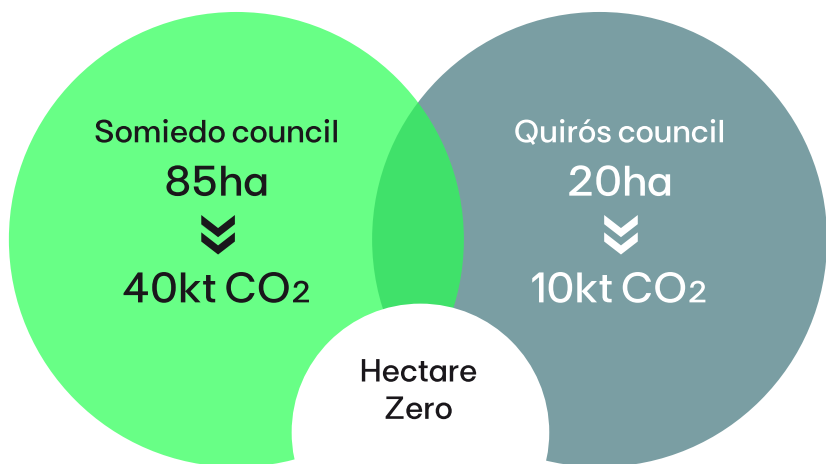
Offsetting of unabated emissions

Due to the intrinsic activity of our business, it is already known that, despite the actions identified in the Mitigation Plans, it will not be possible to fully reduce emissions. Our commitments compel us to achieve climate neutrality for scopes 1 and 2 by 2030 and for all our activity by 2040.

For this reason, EDP is starting to work on an offsetting strategy at the EDP Group level, identifying and exploring all possible ways to achieve our goals.

EDP España has completed the first carbon capture project with its own resources: Hectare Zero. This project has been completed with the registration in Section B of the Carbon Footprint Registry of the Principality of Asturias, which recognises that the 24 hectares planted in the Council of Tanes will capture around 12,000 tonnes of CO₂ that can be used to offset our footprint, 2,000 of which can be used from the very outset. These 2,000 tCO₂ available ex-ante will allow EDP España to partially offset its carbon footprint, the first offsetting to be carried out in the EDP Group using its own resources.

Currently, the final approval procedures are being completed for a plantation project of about 85 Ha in the Council of Somiedo, and which will capture about 40 ktCO₂, and another planting project of about 20 Ha in the Council of Quirós that will capture another 10 ktCO₂ and thus give continuity to Hectare Zero.



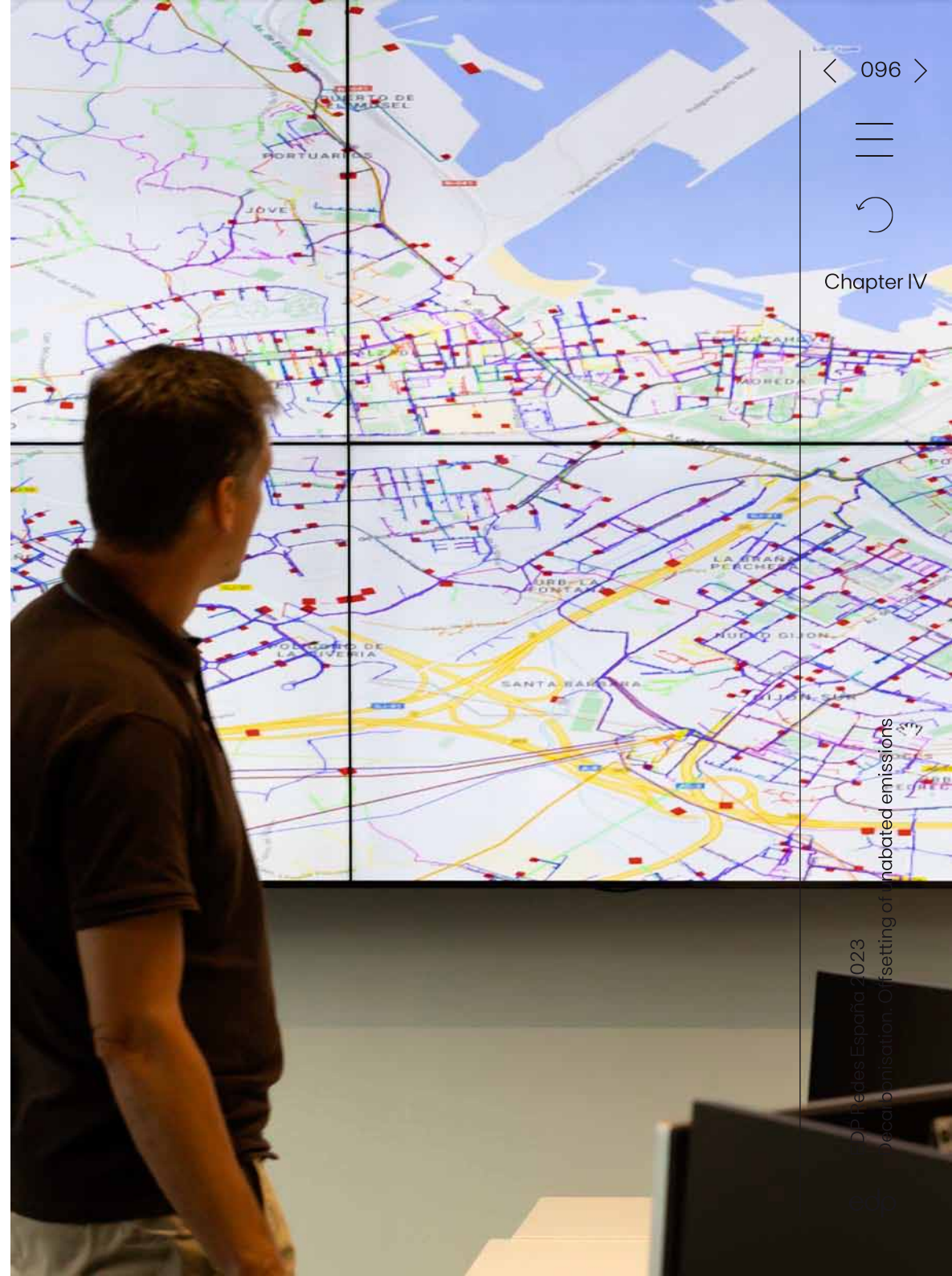
TCFD recommendations

In 2015, the G20 Financial Stability Board (FSB) created the TCFD, a task force to encourage corporations to report on risks related to climate change, how they impact the company's activity, and how these are managed to reduce their possible impacts.

These TCFD recommendations, which were adopted voluntarily, are being included in different regulatory instruments both at European and national level, such as the Spanish Act on Climate Change or the EU Corporate Sustainability Reporting Directive (CSRD). This implies that, in the medium term, organisations such as EDP will be obliged to report on how the mitigation of the impacts that the different climate risks have on their activity is being managed internally.

Thus, all the progress made in aligning climate management with the TCFD requirements will contribute in the future to the compliance with the regulatory requirements that are pending to be specified and which will arrive in the short-medium term.

The work carried out in 2022 at EDP Redes España, which allowed us to identify a series of improvement actions and which was completed throughout 2022 and 2023, will allow us to be in a better position to ensure that climate and transition risk management is already integrated into our daily activity. It also allows us to show that there are defined risk mitigation measures that are included in our business plan and that we monitor them and check their effectiveness by establishing objectives that contribute to achieving the set targets.



Adaptation to climate change

EDP España has been working to improve the response of assets to the action of climatic variables since 2019. In 2023, we have continued working on the follow-up of the actions identified in the Distribution Adaptation plans.

At EDP Redes España, work has been done to identify the actions to be carried out to improve the resilience of assets and how these should be included in the Business Plan. More than 350 assets at risk have been detected, for which investments worth €89M have been identified, €69M of which are already included in the 2023-27 business plan.

In addition, seizing the revision of the technical investment assessment model, a category has been included in the new taxonomy that allows to take into account the contribution that a given investment can make to improving resilience to climate change. Through this mechanism, it is expected that those investments that contribute to improving the response to Climate Change will obtain a better rating and will be prioritised within the business plan of EDP Redes España.

Among the actions carried out, we can highlight a new Innovation project, which through the placement of different sensors in the distribution grid will make it possible to anticipate different events, which will allow minimising the effects of certain impacts related to Climate Change. The Less Project will allow us to identify the formation of ice sleeves in the lines, the sliding of supports, the effects of corrosion on conductors, or the impact of vegetation on our lines.

As is customary in the EDP Group, the Climate Risk Identification exercise led by the Corporate Risk Department has been performed. As regards EDP Redes España, it has participated in the identification and quantification of risks and opportunities. The exercise was carried out in an integrated way at the Distribution Platform level, thus allowing a homogenisation of the criteria and methodology used regardless of the country.



02 Our communities

Management of stakeholders

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Our communities

Management of stakeholders

EDP Redes España maintains a close relationship with all the stakeholders in its social and territorial environment, mainly local communities and Town Councils. This relationship is articulated on the basis of open citizen participation processes, which include interviews, focus groups, public conferences on specific subjects, and quantitative telephone studies, among others. These participatory processes are carried out in a structured way every two years.

Based on these participatory processes, the needs and expectations of the stakeholders in each area are identified, in such a way that existing standard social programmes can be adapted to the needs of each municipality and/or geographical area, while allowing for the joint creation, design, and building of specific projects and actions for a greater local impact together with the stakeholders directly involved.

The latest open citizen participation process which encompassed all EDP Redes España geographical areas took place in 2022. In 2023, different actions have been carried out to validate the positive impact of the ongoing projects and to detect new needs and identify opportunities within EDP Redes España's strategy, with the aim of mitigating social risks.

This process has been planned taking into account the local stakeholder engagement policy and its implementation procedure, mainly with regard to the identification and prioritisation of the stakeholders themselves.

The results of this new process will make it possible to adjust social innovation programmes in the 1st quarter of 2024.

In 2023, we have worked on the following relevant topics:



Job creation



Environment



Depopulation



Engagement and dialogue



Equality and equity



Commitment to the community

Continuous improvement cycle:



It is worth noting the continuous contact with Town Councils, as well as with the respective Local Development Agencies and with business and social entities at provincial and local level, whose contact is continuous. There are also active communication channels with the municipalities of Asturias, Cantabria, Lugo, and Huesca, which have been identified as priority investment targets for EDP Redes España.

The programmes developed within this Action Plan with Local Communities and Town Councils are part of EDP España's Social Investment Plan, in accordance with the EDP Group's Social Investment Policy under the name **EDP Suma+**.

The EDP Suma+ programme emerged as a global programme at EDP España to bring together the different stakeholder management projects and activities, through standardised and customised strategic projects and programmes, segregated into:

ENTAMA: Support programme for local entrepreneurs aimed at projects with the capacity to generate added value and economic growth in a sustainable and forward-looking way, assigned to the areas of influence of the assets.

TECH CAMPS EDP (formerly, EDP +Joven): Support for children and young people in local communities, mainly with a focus on skill-building to improve their future employability and the promotion of STEM vocations.

EDP +Cerca: EDP's activities with a presence in the territory through citizen participation, new services, leisure, promotion of sustainable tourism, and support for the maintenance of spaces for public use.

Mi entorno EDP: Environmental projects to be developed with a local partner under the premise of creating shared value, such as projects with a positive impact on natural capital and biodiversity, as well as improving ecosystem services.

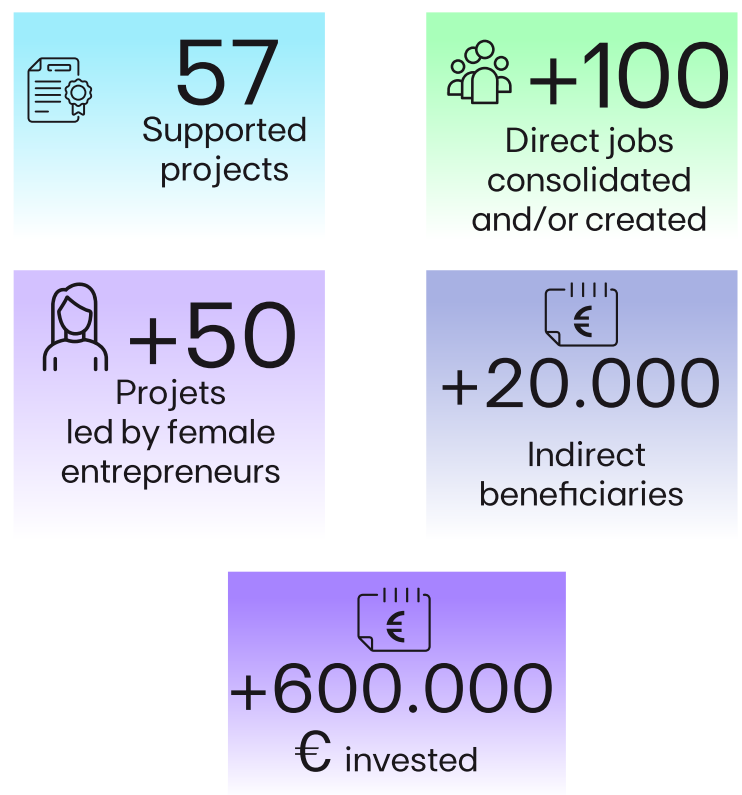
EDP Partners: Joint project development programme with technology platforms, business partners, ESG associations, and the education and university community.

Among the initiatives carried out during this 2023 financial year, the following should be highlighted:

ENTAMA: In June 2023, the fifth series of the Programme was launched, consolidating the areas of action already expanded in 2022 and which include all the municipalities in Asturias, Cantabria, and Lugo identified as municipalities at risk of depopulation. Thus, the range of action of the ENTAMA Programme covers 100% of the territory of EDP Redes España's preferred areas of influence.

In this 5th year, 19 new applications related to the Distribution areas have been received. After a process of analysis and assessment of their impact in terms of employability, sustainability, and equality, verified by a panel made up of more than 20 people from all areas of the company, 8 projects have been selected and a specific agreement has been signed with each of them for their execution in 2024.

Globally, ENTAMA's figures since 2019:



As a reminder, it should be noted that ENTAMA has been recognised in the 3rd UN Global Compact go!ODS Awards for its impact on SDG 11, 'Sustainable Cities and Communities', and that it is a programme that the Just Transition Institute of the Ministry of Ecological Transition and Demographic Challenge (MITECO) highlights as a good practice in all its interventions in the public conferences of the Just Transition Agreements.

We copy a quote from the Global Compact regarding the impact of the programme on the territory: 'ENTAMA exemplifies the concept of innovation and social development, which is why it is widely recognised and appreciated by the regional and local administrations in which it is developed, as demonstrated by the involvement of mayors and support in the preparation of applications through Local Development Agencies.'

Tech Camps EDP (formerly, EDP +Joven): In 2023, the programme has been redefined, assuming the objectives of promoting digitisation and the development of new technological and STEM capabilities as key.

EDP's Tech Camps are targeted at children between 7 and 15 years old with the aim of taking them on a technological tour, which seeks to arouse the interest of young people in different topics such as design and animation, video game design (physics drivers), metaverse and artificial intelligence, home automation, robotics, mobile application design, etc.

Over the year, 12 Tech Camps have been developed in 11 municipalities, with the participation of 168 students and a high level of satisfaction reported by mayors, families, and attendees.

EDP +Cerca: Among the activities carried out directly by EDP together with town councils and local associations, aimed at improved citizen participation, new services, leisure, promotion of sustainable tourism, and support for the maintenance of spaces for public use, it is worth highlighting:

- *Medio Cudeyo and Comillas:* Sponsorship of actions to promote sustainable tourism and cultural activities in the Cantabrian festivals.
- *Centro Intermunicipal de Servicios Sociales de Proaza, Quirós, Santo Adriano y Teverga:* support for the 'Breaking Distances' programme aimed at the engagement and inclusion of the elderly, avoiding situations of loneliness and isolation.
- *Carreño:* support to the Council's Social Support Bank (Red Cross) in the acquisition of staple medical supplies and equipment for people with reduced mobility. Activities with neighbourhood associations.

Global Compact
go!ODS award



go!ODS Award



Mi entorno EDP: The most outstanding project of this programme is the Life STOP Cortadería project carried out in partnership with the environmental NGO SEOBirdLife, which in 2023 has launched a new series that gives continuity to the actions already carried out in previous years. In this new series, to be developed in 4 years, actions will be carried out in areas of influence of electricity distribution assets in Cantabria and Asturias, to fight against the invasive species *Cortaderia selloana*.

It should be noted that the Life STOP Cortadería project was recognised by the European Union with the Natura 2000 Network award in the category of 'social benefits', since this environmental programme promotes the social integration of people with disabilities through their work to eradicate *Cortaderia selloana* in protected natural areas of Cantabria. The panel highlighted the project's social and environmental collaboration as an 'inspiring initiative that empowers people with disabilities through the fight against an invasive species.'

Among the environmental projects, the collaboration with the Somiedo Town Council is maintained to support the Tourism Dynamization Plan, mainly through the co-financing of the construction of a geological viewpoint in La Farrapona and the actions in the Partial Nature Reserve of the Villaviciosa estuary, where FAPAS has installed a nest for the osprey – the second of these characteristics – reusing a wooden pole removed from a low-voltage line of EDP Redes España. This action intends to establish a stable population of 2 osprey pairs in the area.

EDP Partners: Within the Programme for the development of joint projects with technology platforms, business partners, ESG associations, and the education and university community, the following are noteworthy:

- *International University Menéndez Pelayo:* Running the UIMP Summer Course 'A Boost towards the Energy Transition: New Technologies' for 3 days in July 2023.
- *Sponsorship of the Menéndez Pelayo-UIMP International Prize,* which, in this 35th call, has been awarded to the writer and humanist Álvaro Pombo García de los Ríos.
- *University of Oviedo:* Support for the celebration of the Asturian Biological Olympics.
- *Conecta Talento:* Participation in the forum for the promotion of employment, talent, and training in Asturias, which, in this session, has been focused on 'sustainability and employment'.
- *CITECH:* participation in CITECH, a benchmark forum in industry and technology in the north of Spain, which this year has revolved around 'Sustainability and Innovation'.
- *FADE:* Creation and dissemination of the 'Quick Guide to the implementation of the Environmental Quality Act in companies' (Asturias) and support for the MASSTEAM programme (Mujeres Asturianas STEAM).



Fomento vocaciones STEAM:

MASSTEAM. Developed by CTIC and FADE, MASSTEAM (Mujeres Asturianas STEAM) is an educational immersion-oriented project focused on mentoring actions in companies. 20 students from the MASSTEAM programme have been mentored by 5 female mentors from EDP España, and have participated in a shadowing session at the headquarters in Oviedo accompanied by two mentors from EDP, in order to learn about their experience and the real application of STEAM studies.

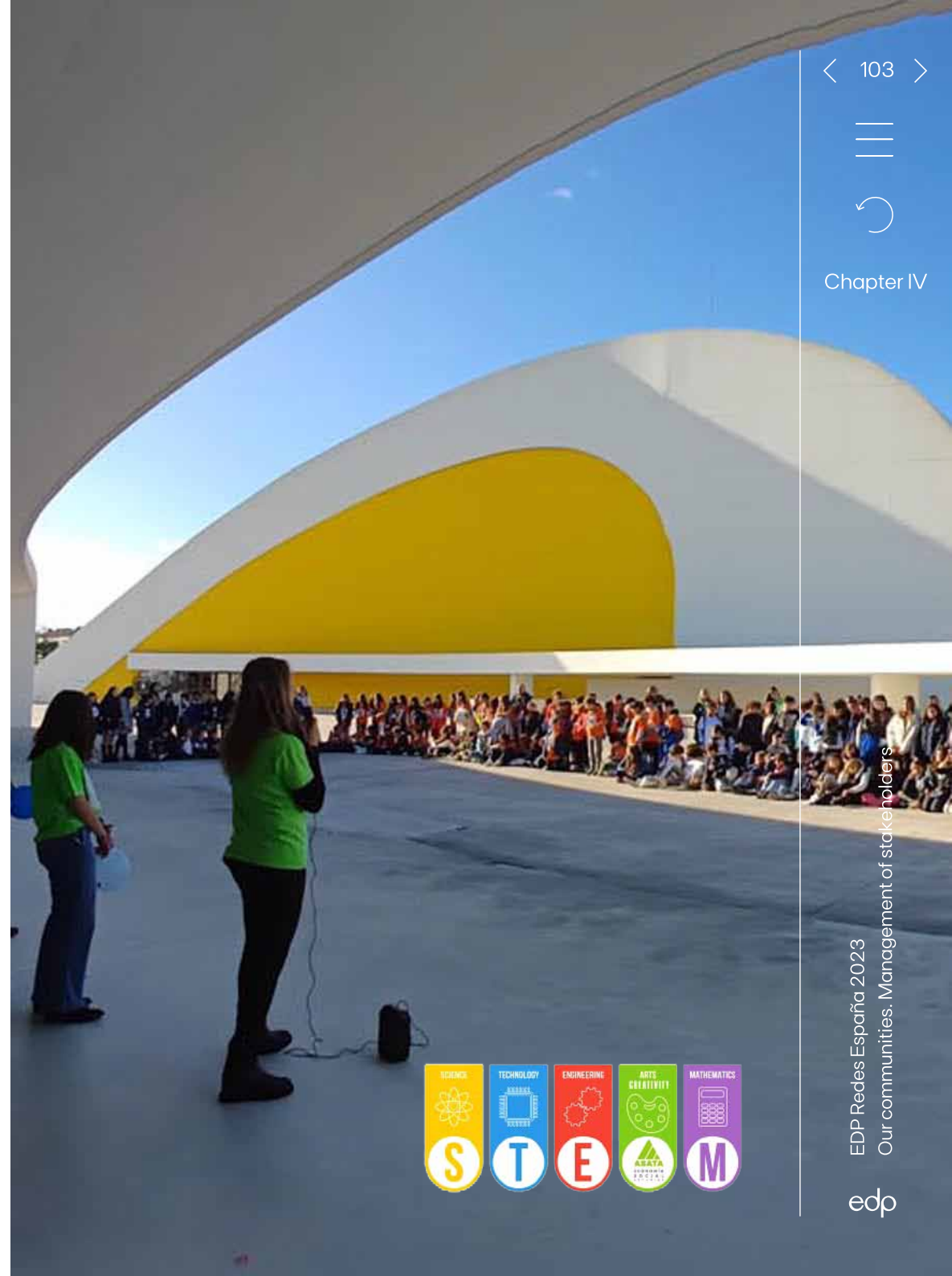
AEMENER. Continuous collaboration in the association's activities to enhance and make visible the role of women in the sector. Sponsorship and Participation in the II AEMENER Fair of STEM careers held at the School of Mines of the UPM.

“Futuro en femenino”: Participation in the workshops of the project promoted by the newspaper El Comercio, both in its opening session and in a talk on equality given to 11–12-year-old boys and girls from the Santa Maria del Naranco Alter Vía School. It involved the participation of more than 20 students.

STEAM Talent Girl: Development of the activities envisaged in the agreement signed between EDP Redes España and the Asociación Mujer y Talento Cantabria, aimed at stimulating, attracting, and developing the talent of girls, young women, and women for their empowerment, growth, and prominence within the social transformation towards real equality.

Despertando vocaciones STEAM: support for the comprehensive programme of research, development, and educational innovation developed by ASATA in collaboration with the University of Oviedo and funded by the Ministry of Science, Business, Training, and Employment, and whose goal is to generate sustainable, entrepreneurial, and multidisciplinary training ecosystems in the students' socio-educational and labour spheres. With the support of EDP, it has promoted the participation of students from the schools of Soto de Ribera, Candás, and Tineo, which are just transition municipalities in Asturias.

Asociación para el progreso de la Dirección en Cantabria (APD): participation in the 1st APD Executive of the Year Award and participation as members of the APD Cantabria council.



03 Our planet

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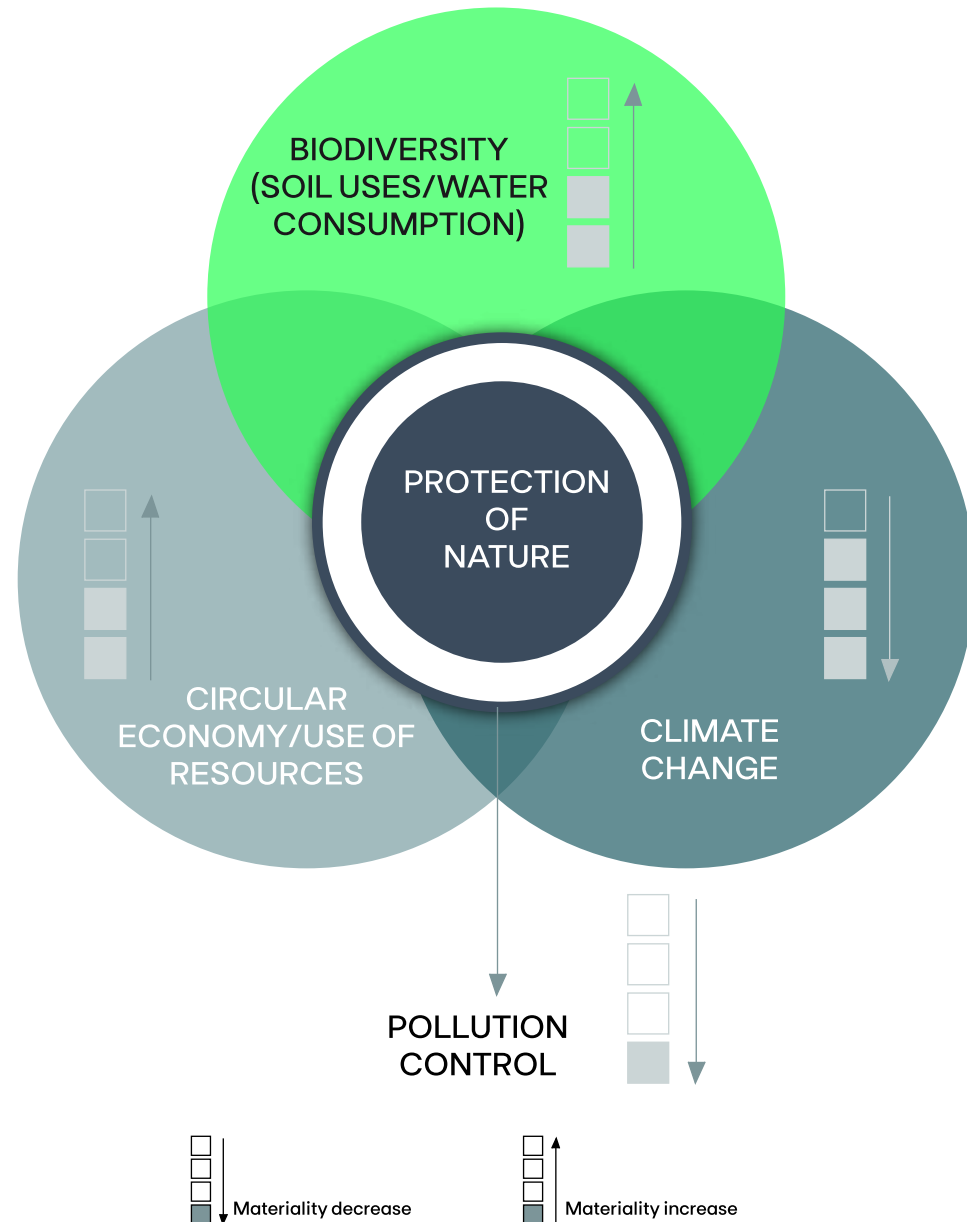
Our planet

We need a profound change in the way companies make decisions to deal with detrimental effects on nature and the decline of ecosystem services.

The two most relevant factors that destroy biodiversity are climate change and the extraction and abuse of the planet's resources. On these two levers, the EDP Group has acted in recent years with goals clearly defined in its climate change and circular economy strategies.

As recognised by IPBES (Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services), there are other factors that cause the loss of biodiversity, such as pollution, destruction of habitats through land occupation, and invasive alien species. On all of them, EDP systematically carries out actions in order to minimise the impacts of its activities.

In 2023, a Natural Capital Strategy has begun to be defined to supplement all the actions carried out so far by EDP, focusing not on the causes of the destruction of the planet, but on biodiversity itself as a symptom of the health of our planet. Recognising the value of Nature and its limits and, in line with the United Nations, maintaining the commitment to protect, restore, and promote the sustainable use of terrestrial ecosystems and biodiversity, are part of this strategy.





Environmental management

The environmental control and monitoring of the facilities is carried out based on the EDP Group's Environmental Policy, which is implemented in accordance with the requirements established for an Environmental Management System (EMS) in the UNE-EN ISO 14001:2015 standard and is reviewed annually through internal and external audits.

This way, EDP Redes España's EMS includes the measures adopted to minimise environmental risks and the preventive measures and controls to prevent the commission of crimes against the environment.

During 2023, EDP Redes España recorded a total of €11.2 million in environmental expenses and investments, targeted at adapting its facilities to environmental operating requirements and implementing good environmental practices.

Likewise, environmental monitoring has continued to be carried out on work performed on overhead lines subject to conditions (legal requirements established in the Environmental Impact Statement and other authorisations).

Birds

Bird incidents on power lines are currently the most relevant aspect of power grids. RD 1432/2008 establishes that power lines must be adapted with the aim of reducing electrocution and collision of birds. This required each Autonomous Region to publish the Bird Protection Zones and subsequently the publication of the Inventory of Dangerous Lines located in them. On the other hand, the application of this RD established the funding of the adaptation projects from the State Budget.

The protection zones and inventories of affected lines are already published in all the autonomous regions in which we have grids. In accordance with current regulations, once such inventory was published, we had one year to submit to the competent body the corresponding project to adapt the lines to the technical prescriptions set out by RD 1432/2008.

Given that more than 6,000 km of EDP Redes España lines are affected, it is impossible to carry out an individualised adaptation project. For this reason, adaptation 'master projects' have been drawn up and communicated to the competent bodies of each autonomous region, and they become specific and individualised projects as the adaptation work is carried out.

In view of the size of the project and the different ways in which it was approached by ERedes and Viesgo in previous years, in 2022, common Birdlife Plans were drawn up, according to which a number of lines to be adapted each year by autonomous region has been determined in accordance with homogeneous technical and environmental criteria. At the year-end of 2023, 3,005 supports and 409 km of lines had been adapted.

Maintenance of electricity line lanes

Pruning and felling work has been carried out since 2015 on the lines of ERedes, under the methodology approved by the Administration of Asturias at the proposal of EDP.

Such approval requested the annual performance of a quantified estimate of the effect that pruning and felling of the species growing under the lines in the Natura Network area could have, in order to assess whether or not it was a significant effect, in accordance with the criteria that the MITERD guidelines have defined.

For this reason, during the first quarter of 2022, meetings were held with the General Directorate of the Natural Environment of Asturias, as a result of which the structure and content of these estimation reports were defined. The report corresponding to the work of year 2022, which showed an effect far from being able to be considered significant, was submitted in July of last year.

A third of the grid is maintained each year. Although the conclusions of financial year 2022 will be repeated with almost total certainty in the pruning and felling work of every year, it has been decided to carry out the study on the actions of both 2023 and 2024, thus covering, after 3 years, 100% of the network. These studies will be a guarantee that the habitats in the Natura Network will not be affected by the line maintenance work.

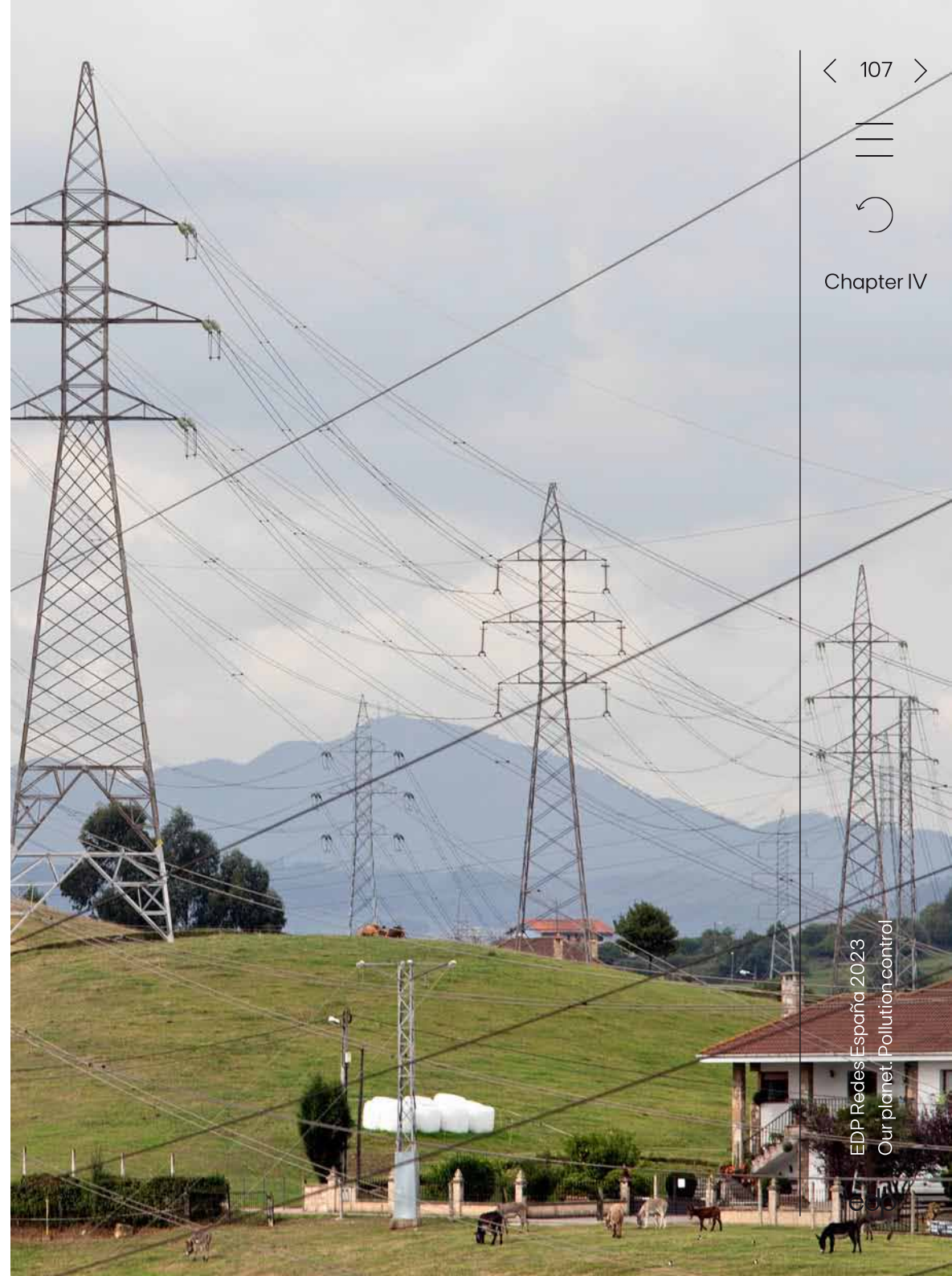
All these requirements only apply to the Principality of Asturias; thus, in order to monitor compliance with all good environmental practices in pruning and felling work, there is an external environmental monitoring system that is responsible for supervising the work to be carried out in the critical sections in all the autonomous regions, both in the previous stage, during the planning of the work, and afterwards to verify the maintenance actually carried out.

In the case of Galicia, the requirements of the Administration are almost opposite, with specific conditions related to fire prevention, specifically, the obligation to periodically clear 5 meters on each side of the lines, including low-voltage lines.

Thus, the main risk derived from line maintenance work is the control and compliance with two opposing requirements: the protection of protected vegetation, which entails minimising actions on existing trees, and the prevention of wildfires, which involves guaranteeing the appropriate distance between these trees and the lines.

Pollution control

In order to minimise the risk of oil spills in EDP Redes España's substations, an Action Plan was drawn up to be implemented over the next four years, so that best practices are extended to all facilities: it includes waterproofing actions for collection pits under transformers, the augmentation thereof to collect the expansion tank, control of the discharge points of these tanks, and installation of hydrocarbon filters and cesspools where necessary. During 2023, actions have been carried out in 22 of the substations, according to the planned plan.





Circular economy

During 2023, the European Union's action plan on Circular Economy has continued with the development of different initiatives, including those related to the eco-design of products and critical raw materials.

At the same time, the standardisation bodies that have been entrusted with the standards related to the useful life of products, the reusability of their components, the recyclability of their materials, and the assessment of the use of reused components and recycled materials, develop their work slowly, with great difficulties of coordination between all of them. EDP España actively participates in the Technical Committee for Standardisation on Circular Economy, created as a mirror of the ISO, promoting, among other things, advances in the measurement of circularity.

Eco-design

The regulation proposal published in March 2022 included the following highlights:

- All products on the internal market would have to comply with **minimum eco-design requirements**, which would later be laid down in delegated acts for different product groups. Eco-design requirements could aim to improve durability, reliability, reuse, upgrading, repair, maintainability and refurbishment, remanufacturability and recycling, resource use or efficiency, recycled content, presence of hazardous chemicals, environmental impact, and expected generation of waste material.
- **Digital passport of the product.** The new regulation would allow for the introduction of a digital product passport for specific groups of products, which would provide information on performance, traceability, technical documentation, harmful chemicals, user manuals, etc. This should make it easier to repair or recycle products and track substances of concern throughout the supply chain;
- **Incentives for sustainable products.** Member States would be allowed to provide incentives for consumers to choose sustainable products, in particular where the most sustainable products are not sufficiently affordable, for example, by introducing green vouchers and green taxes.

This proposal has been subject to negotiation in both the European Parliament and the European Council during 2023. Thus, Parliament called for prioritising in 2024–2027 a list of products that would include, among others, iron, steel,

aluminium, energy-related products, ICT products, and other electronic products. In addition, when setting eco-design requirements, the Commission would have to ensure that manufacturers do not limit the durability of a product, making it prematurely obsolete. The Commission would also need to set up a public online platform that would allow consumers to compare information contained in product passports.

Parliament approved its final position in July, and the Council in May, so the triilogue (a dialogue between three people) started at the end of August 2023, with a second meeting in October, and a third scheduled for December, which is expected to be the last, in order to reach an agreement during the Spanish presidency of the Council of the EU.

Critical raw materials

In its work programme for 2023, the Commission confirmed that it would propose an EU law on critical raw materials 'to ensure adequate and diversified supply for Europe's digital economy, as well as for the green transition, and to prioritise reuse and recycling.'

The Commission published its proposal in March, which aims to guarantee EU's access to a secure and sustainable supply of critical raw materials through the following milestones:

- Strengthening the EU's capacities at different stages of the value chain. The goal would be to ensure that by 2030:

1. The EU's **extraction capacity** covers at least 10% of the EU's annual consumption of strategic raw materials
2. The EU's **processing capacity** covers at least 40% of the EU's annual consumption of strategic raw materials
3. The EU's **recycling capacity** covers at least 15% of the EU's annual consumption of strategic raw materials.

- Diversifying EU raw material imports: no third country should provide more than 65% of the EU's annual consumption (for each strategic raw material).
- Improving risk control and mitigation capabilities.
- Ensuring the smooth functioning of the single market by improving it.

The law establishes a list of 16 'strategic raw materials' and 34 'critical raw materials', drawn up by the Commission according to their economic importance and supply risk. To establish the list of strategic raw materials, the Commission assessed their relevance for the green and digital transition, as well as for defence and space applications.

It also includes provisions to support the development of the circularity of critical commodity markets and the reduction of their environmental footprint.

The Council adopted its negotiating position on 30 June 2023, increasing the proposed targets for processing capacity (from 40% to 50%) and recycled capacity (from 15% to 20%).

The Council also added bauxite/alumina/aluminium to the lists of strategic and critical raw materials.

Parliament adopted its position on 14 September. The first triologue took place on 20 September, with the hope of reaching an agreement before the end of the Spanish presidency

Project in EDP España

Faced with this growing concern about critical raw materials and their major impact on the energy transition, in which the EDP Group is immersed, EDP España/EDP Redes España has developed a tool to **identify its main consumption of critical raw materials** in the different facilities. The aim is to analyse what type of material or equipment annually consumed or acquired have the highest content of critical materials, in order to focus circular behaviour efforts on them.

Circular economy strategy: Close the Loop

During 2023, the EDP Group has continued to develop its Circular Economy strategy, as part of the company's new ESG strategy, which highlights the Close the Loop initiative, whose goal is to move towards a more circular organisation, driving efficiency in the use of resources and promoting new circular business models.

There are four lines of action in this Close the Loop initiative, focused respectively on monitoring, supplier requirements, internal training/awareness-raising, and the enhancement of pilot projects scalable to the rest of the company.

EDP España has taken the lead with **Circumetric**, the monitoring-related line of action that allows us to assess the circularity of actions and to implement and prioritise those that contribute the most to circularity and sustainability. Transformed in 2022 into an internal application of the EDP Group available to all employees, during 2023 it has been the subject of various developments, including: access to the application in three languages, introduction of help fields in the questionnaires to facilitate their completion, consultation of initiatives by platform and cores, and dynamic generation of graphs.

In addition, and based on Circumetric, **a circularity value** has been defined **for the different items that make up the multi-year Investment Plan of the Grid Platform**. The aim is to incorporate this circularity criterion as one of those that make up the basis on which Redes annually prioritises its investments.





Natural Capital and Biodiversity

The protection of Natural Capital and Biodiversity has become the most relevant issue worldwide, once the fight against Climate Change has been already implemented with a path of commitments and actions at international level from which there is no turning back.

International Convention on Biological Diversity

The Conference of the Parties (COP) held in December 2022, agreed on the **Kunming-Montreal Global Biodiversity Framework**, which maintains the 2050 Vision of 'Living in harmony with nature', with four goals for 2050 focused on the conservation and sustainable use of biodiversity, access to biodiversity genetic resources, and the fair and equitable sharing of the benefits they generate, and on the financing of all necessary measures in favour of biodiversity. It also defines 23 interim targets for 2030, including many relevant commitments:

- Effective conservation of 30% of terrestrial areas, inland waters, coastal areas, and oceans by 2030
- Full or ongoing restoration of at least 30% of the degraded ecosystems
- 'Bring to zero' the loss of areas of high biodiversity importance, including ecosystems of high ecological integrity, i.e. with high biodiversity
- Halving excess nutrients and the overall risk posed by pesticides and highly hazardous chemicals.

European Initiatives in Biodiversity

In the European Green Deal context, the European Commission has included the Sustainable Finances Action Plan and the 2030 Biodiversity Strategy, which is in turn Europe's contribution to the CBD post 2020 international commitment. The main objectives of this 2030 Biodiversity Strategy, approved in May 2020, are the conservation and restoration of ecosystems and the implementation of new environmental governance systems. Thus, the protection of 30% of Europe's surface is proposed for 2030. 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, which means designating areas in which human activity is excluded as much as possible, making nature the priority.

As a key part of this strategy, in 2022 the European Commission proposed a Nature Restoration Act; throughout 2023, and once the positions of Parliament and the Council had been defined, the trilogues took place, which led to an agreement reached in November. The most relevant aspects of this agreement are:

- By 2030, restore at least 30% of certain habitat types listed in the Annexes and that are in poor condition. Until 2030, it was agreed that Member States should prioritise Natura 2000 sites when implementing the restoration measures set out in the Regulation.
- By 2040, Member States must put in place measures to restore at least 60% of habitats in poor condition and at least 90% by 2050.

The text includes a requirement to avoid significant deterioration of areas subject to restoration that have achieved good status and areas where terrestrial and marine habitats listed in the annexes are located.

- Member States shall submit national restoration plans covering the period up to June 2032, with a strategic vision for the period after June 2032. By June 2032, Member States will present restoration plans for the ten years to 2042, with a strategic vision to 2050, and by June 2042 they will present plans for the remaining period to 2050. The text allows Member States to take into account their diverse social, economic, and cultural needs, regional and local characteristics, as well as population density.

The agreement reached must now be approved by the Council and Parliament, as early as 2024, and prior to its publication in the OJEU.

Task Force for Nature-related Financial Disclosures (TNFD)

The business community is progressively discovering that the risks derived from the improper management of nature go beyond the impacts they generate. Thus, the dependence that companies' operations have on natural assets, or the fact that the loss of nature causes disruptions in society and in the markets in which they operate, and which can manifest in the form of physical and market risks, has made biodiversity a material issue for companies.

The EC's Action Plan for Financing Sustainable Development includes among its actions the promotion of natural capital assessments and the dissemination of natural capital aspects.



In order to meet these requirements regarding assessment, companies need to have tools and methods that provide them with the required information with rigorous and certain data for their calculation. Natural capital approaches are a very useful tool in this regard. The natural capital approach not only identifies, measures, and assesses the impacts that business activities have on natural goods and services, but also identifies, measures, and assesses the dependencies that business operations receive from them.

In terms of disclosure, the Task Force for Nature-related Financial Disclosures (TNFD) was established in October 2021 – a global initiative recognised as one of the main frameworks used to report on companies' relationship with nature, which analyses both impacts and dependencies as well as business risks and opportunities, based on their relationship with species, their ecosystems, and the ecosystem services they offer. After almost two years of development, version 1.0 of its final recommendations was published in September, creating a framework that will provide companies and financial institutions with a structure to report and act on the development of nature-related risks.

The TNFD framework sets out four conceptual pillars to be analysed: dependencies, impacts, risks, and opportunities. The first two are location-specific and, in turn, present risks and opportunities for organisations. The methodology proposed by the TNFD (LEAP methodology) consists of 4 stages:

- **Locate** (Situate your interface with nature)
- **Evaluate** (Evaluate your dependencies and impacts)
- **Assess** (Assess your risks and opportunities)
- **Prepare** (Be prepared to respond to and report nature-related risks and opportunities).

Natural Capital and Biodiversity Strategy

In 2023, EDP Redes España has made progress in the planning of a Natural Capital and Biodiversity strategy, consistent with the international and European frameworks described in the previous sections, and with the EDP Group's goal of 'Achieving a Nature Positive net gain in new projects by 2030'.

Aligned with the TNFD framework, the strategy to achieve this commitment consists of the following stages:

1 Determining

In order to assess the effect of EDP's activities on nature loss through the 5 levers of pressure (surface occupation, climate change, resource consumption, pollution, and invasive species), it is necessary to locate our assets (Locate), and quantify the impacts and dependencies they exert on nature (Evaluate), with the risks and opportunities that arise from them (Assess). This way, it will be possible to prioritise the installations on which action needs to be taken.

Proyectos in EDP España

- At EDP España, during 2023, the mandatory studies on the environmental impact of the new Redes facilities have been carried out without any relevant issue having been documented.
- In order to quantify impacts and dependencies that allow the selection of technical solutions with the lowest environmental impact, work has continued in the Natural Capital Protocol Group applied to the energy sector, which, together with other companies in the sector, seeks to reach a consensus on the most relevant pressure factors on natural capital of each of the technologies, and derived from them, the most affected ecosystem services.

2 Measuring

Once the sites have been prioritised, it will be necessary to establish a baseline of these by defining the appropriate indicators for each pressure factor. On the basis of this baseline, operational objectives will be defined for each facility to contribute to achieving the Nature Positive goal.

Project in EDP Redes España

EDP Redes España has an application, Naturnet, which measures the impacts generated by electricity distribution lines on habitats, species, and ecosystem services, thus facilitating the definition of goals to improve natural capital. At the same time, it is a potential tool for decision-making when designing the layout of the new lines (Locate), which will minimise the impacts on nature.

3

Acting

EDP's strategy envisages actions to mitigate the impacts on natural capital through minimisation, restoration, or offsetting measures.

Among these actions, those mainly promoted are Nature-Based Solutions, defined by the International Union for Conservation of Nature (IUCN) as 'actions to protect, sustainably manage, and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously benefiting people and nature.'

4

Monitoring

Once the indicators for each site have been defined, and the necessary actions have been taken, the last stage to implement the strategy is the monitoring of parameters and their comparison with the defined baseline. The action and results monitoring phases are the last step (Prepare) of the TNFD framework methodology.

As a support for the development of all the aforementioned stages, standardisation plays a fundamental role; in 2021, a new technical committee for standardisation was created at the national level to follow up on the work at the international level (ISO/TC 331 'Biodiversity'). EDP España has joined this technical committee as a member in order to be able to adapt its progress in the field of natural capital and biodiversity to the standards that are being defined in terms of terminology, measurement, data, monitoring, and evaluation of natural capital.



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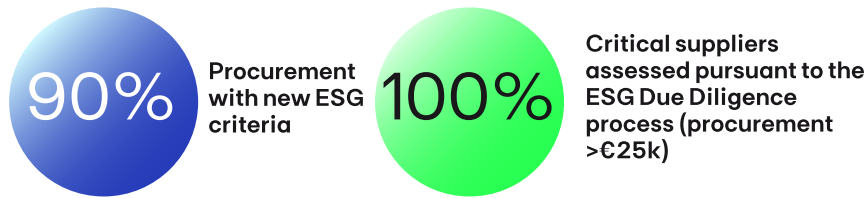
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Sustainability in procurement processes

EDP's materiality matrix identifies the supply chain and its management as one of the most relevant aspects for the company, according to its impact on society and on the business. Therefore, suppliers are a key stakeholder and also a main partner to achieve the sustainability goals.

Technical excellence, execution performance, and economic competitiveness, together with sustainability, are the basis for EDP's supply chain management, which has the following goals for 2026:



For this purpose, the company has a set of policies and procedures that frame the entire sustainable procurement process across the Group:

- **Supplier Code of Conduct** that governs the purchasing and contract negotiation processes with suppliers to ensure the alignment of critical suppliers with the company's ethics and sustainability commitments.
- **Sustainable Procurement Policy** that establishes the principles and commitments to sustainability to be implemented throughout the purchasing process.
- **Sustainable Supply Chain Policy**, that defines the company's action protocol and due diligence process related to the supply chain. This Protocol Includes the identification of critical suppliers based on their activity with EDP.

During financial year 2023, ESG performance has been incorporated for the assessment and rating of 100% of critical suppliers, with the audit of 15 critical suppliers, 35 additional audits scheduled, and 2 pending scheduling. To date, no non-conformities have been identified in these assessment processes.

The Protocol of Procedures for Sustainability in Supply Chain Management has been launched in the first quarter of 2023 in EDP Redes España, for which presentation/training sessions have been held for the entire organisation by UPG and Sustainability.

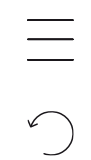
These procedures and methodologies for sustainable supply chain management are defined in the Sustainability Protocol. The main initiatives and actions developed are:

- **Criticality analysis:** include in the process of expressing a purchasing need a classification regarding the criticality of the supply, which allows monitoring the segmentation of critical contracts and anticipating the potential risk that must be covered in the contract. A standardised criticality matrix by purchasing category has been developed.

	LOW	MED	HIGH
1. Supply category <i>(value chain country/sector/octivity level risks)</i>	LOW	MED	HIGH
2. Purchase amount (EUR)	LOW	MED	HIGH
3. Duration of the contract and frequency of supplies	LOW	MED	HIGH
4. Importance for operation, innovation and investment	LOW	MED	HIGH
5. Consequence of sudden supply interruption	LOW	MED	HIGH
6. Irreplaceability of suppliers	LOW	MED	HIGH
7. Supplier acces to equipment/facilities	LOW	MED	HIGH
8. Supplier access to customers	LOW	MED	HIGH
9. Supplier access to protected personal data	LOW	MED	HIGH
10. Supplier access reserved data and cybersecurity	LOW	MED	HIGH
11. Risks of occupational accidents from contracted activity	LOW	MED	HIGH
12. Enviromental risks from the activity	LOW	MED	HIGH
13. Ethical, human and labour rights of the contracted activity	LOW	MED	HIGH

Business plan

Exposure to ESG risks



- **Rating:** Ensure that suppliers comply with the minimum requirements, cross-cutting to all supply categories, as well as the specific requirements determined as a result of the assessment of the criticality and technical requirements of the supply. In 2023, the registration questionnaire on the GoSupply platform has been revised, allowing supply risks to be associated with the information requested.

- **Performance assessment:** Assess the supplier's performance throughout the execution of the contract with concern to the following aspects:

- Execution and management
- Ethics, labour, and human rights
- Health and safety
- Environment

In 2023, a new cybersecurity aspect has been included and new prevention topics stemming from the Playit Safe project have been introduced.

En 2023, se ha incluido una nueva dimensión de la ciberseguridad, así como la introducción de nuevos temas de prevención derivados del proyecto Play-it Safe.

- **ESG Assessments:** Ensure supplier alignment on fundamental sustainability issues, thus enabling the mitigation of implicit business risk, through the identification of an improvement plan that guarantees suppliers' commitment to ESG issues. In 2023, the ESG Assessments questionnaire has been adapted to the main international trends, adopting a more proactive approach.

Sustainable procurement process

EDP's procurement process extends to direct and indirect suppliers (tier 1 and tier 2) and allows to establish practices and procedures that ensure a high-quality relationship with the company's suppliers and sustainability practices through the entire supply chain. Some of these practices and procedures are:

- Development of activities that promote the sharing of best sustainability practices in procurement processes.
- Contribution to the growth and profitability of the business through the promotion of initiatives for the progress and continuous improvement of the supply chain.

- Systematic monitoring of suppliers' performance and risk profile.
- Dissemination and implementation of EDP's ESG policies (Environmental, Health and Safety, and Human and Labour Rights policies and Code of Ethics) in the acquisition of goods and services.
- Involvement and empowerment of all actors in the supply chain.

These practices are only possible through continuous dialogue and engagement with suppliers where the main priorities of both parties are shared at the technical, implementation, and ESG levels.

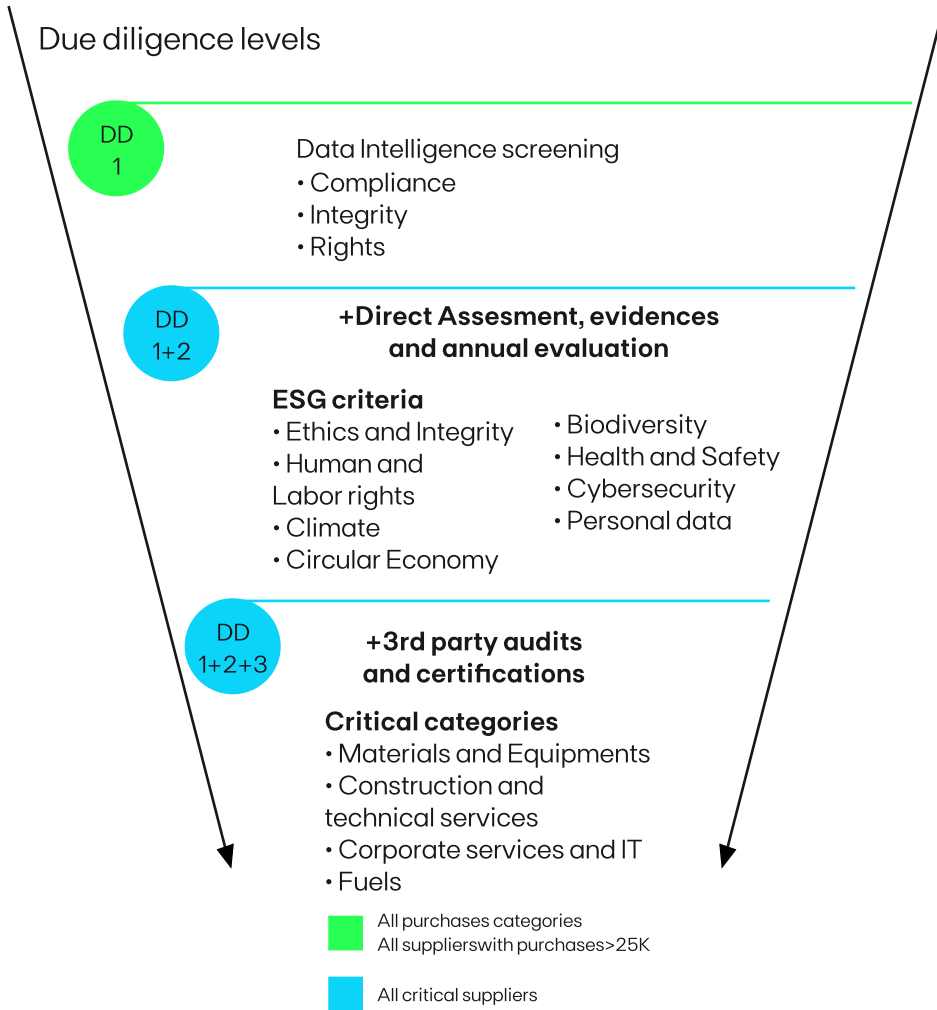
For this purpose, EDP assesses human, labour, and environmental rights violations that may be related to any counterparty, especially in the electricity sector supply chain, where EDP's critical suppliers are located.

Thus, a Due Diligence process on legal compliance, integrity, human and labour rights is carried out for any procurement transaction exceeding €25,000. In accordance with risk maps, a thorough analysis of management practices, sustainability, financial and business continuity risks, cybersecurity, health and safety, quality, diversity, and equality, among others.

To present, the Due Diligence process has been mainly focused on contracted or yet-to-be-contracted suppliers, although EDP is extending this Due Diligence to indirect suppliers. Auditing suppliers of suppliers is an emerging issue on the international agenda – it requires time and a mindset shift, as well as collaborative work between companies. EDP is currently addressing this issue through discussions with its key suppliers exposed to ESG risks, modifying clauses in its specifications, requesting equivalent commitments, and developing the principle of independent auditing.

Therefore, EDP has in place ESG-related requirements, as regards risk management, that have to be met by its suppliers throughout the procurement process:





Registration and rating

The registration process is a mandatory requirement for any company who intends to become a supplier. EDP's corporate System of Supplier Registration supports supplier's selection, providing detailed information, validated and updated by credible sources, in order to guarantee their accreditation under financial, technical quality and ESG criteria.

It aims to provide an analysis on critical issues of each supplier and to establish minimum requirements to ensure their ESG training, according to which criteria are regularly revised and reassessed to ensure that they reflect the main market trends and regulations and that the information has a high level of quality.

Requests for proposals and contracting

The incorporation of adequate criteria in the contracting processes is essential to ensure in-depth management, mitigation, and avoidance of operational and ESG risks in the supply chain.

In 2023, EDP updated its additional analysis on 5 ESG priorities: decarbonisation, circular economy, human and labour rights (including specific aspects related to diversity and equality), health and safety, transparency and biodiversity.

At this stage, EDP analyses suppliers' policies, targets, strategies, statements, roadmaps, and other documents or procedures that show their alignment with EDP's stance, while helping the company to identify potential ESG risks.

Adequate compliance by all EDP suppliers with the ESG requirements is essential to guarantee the correct performance of the contracted services and works. The company has also a system of disciplinary measures, which is included in contracts and purchase orders.

Monitoring and assessment

In order to ensure suppliers' compliance with the previously mentioned requirements, EDP monitors critical suppliers when they provide their services and perform their activity in the Group's facilities.

EDP has two mechanisms to ensure compliance with contractual obligations: a passive mechanism, related to suppliers directly reporting any anomaly that may affect the contract, and a number of other active mechanisms directly executed by EDP, which consist in physical audits, inspections, and requirement of certified management systems.

Assessment criteria for supplier selection

ESG criteria are technical specifications that suppliers must prove in order to be selected for the negotiation stage.

The definition of the required ESG criteria is established at two levels:

- As minimum contractual conditions applicable to all public contracts.
- As specific conditions for certain types of contracts, depending on previously identified and relevant risks.

These specifications are 'go/no go' criteria. For example, for a contract exposed to occupational accident risks, the supplier must demonstrate the existence of a

certified management system, including the qualifications of its employees, and report accident indicators below the set threshold.

Applying a minimum weighting to ESG criteria in procurement based on thresholds ensures that ESG criteria are non-negotiable.



Environmental impact of purchases of goods

Green Purchasing Project



The goal of this project is to define the characteristics of the equipment acquired by EDP that generate the greatest environmental impact, understanding that EDP, as a consumer thereof, assumes this impact with a life cycle vision, that is, from its manufacture to the end of its useful life and subsequent treatment as waste. Once these factors with a greater environmental effect are known, an analysis is carried out on their potential management by manufacturers, in order to determine whether it is a variable that the EDP Group, in its purchasing process, can include as a factor to be weighed when selecting the supplier in the tenders corresponding to the equipment in question.

The first step taken has been the selection of equipment on which a pilot can be developed. The criteria followed were both the purchase volume and the possibility of contacting suppliers who would like to participate in the project, providing environmental information on the entire life cycle of their products. The equipment on which work has been carried out included: meters, conductors and optic fibre, control switchgear/metering transformers, metal supports, and PV modules.

For each of these products, a questionnaire about their characteristics has been designed: composition, processing of the materials that make up that composition, factors related to the stage of use, etc. Based on the responses to this questionnaire, and using

a life-cycle environmental impact assessment template that considers 16 different environmental impact categories, it is possible to determine the factors of the equipment that would require an action to reduce those impacts.

This is an example of EDP/Suppliers collaboration, since the latter, in exchange for their collaboration by providing information, may use the tool that determines the environmental impact with a view of the life cycle of their equipment, which will allow them to design innovation and improvement actions in order to minimise them, both in the design stages, as well as end-of-life use and management.

Based on these more extensive templates used in the development of the project, simple questionnaires have been designed (which now collect only the most relevant variables determined from the work with the selected suppliers) that will be available to the Procurement department. They will be simple technical questions, and depending on the answers, they will obtain an environmental rating from the supplier that can be taken into account as another selection variable in the bidding process.

By way of example, in addition to the technical characteristics specified in the tender for the purchase of smart meters, the answer to questions such as: mass of the equipment, mass or percentage of electronic components (PCB, inductor, etc.), and number of phases (mono/tri) and nominal power of use per phase (W) may be included as an additional requirement. Depending on the answers, an environmental rating will be assigned to each bid.

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Chapter V

Year-to-year data

CHAPTER V

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Year-to-year data

Financial data

Financial indicators	UN	2023	2022	2021
Turnover	k€	439.824	431.235	470.524
Gross operating profit (EBITDA)	k€	215.523	227.430	241.040
Net profit (profit after tax)	k€	121.516	94.517	141.643
Operating investment (gross)	k€	197.420	166.167	132.491
Net debt	k€	2.230.330	2.263.101	2.245.253

Economic indicators	UN	2023	2022	2021
Environmental expenditure and investment	k€	11.151	7.228	9.328
Management of waste, waste water, and soil protection	k€	415	236	148
Environmental management and prevention	k€	9.621	6.988	9.147
Others	k€	1.115	4	34



Technical data

Electricity distribution

ELECTRICITY DISTRIBUTION INSTALLATIONS	UN	2023	2022	2021
Overhead HV lines (50/132 kV)	km	2.820	2.805	2.821
Overhead MV lines (5/10/16/20/22/24 kV)	km	13.080	13.073	13.093
Underground HV lines (50/132 kV)	km	116	109	108
Underground MV lines (5/10/16/20/22/24 kV)	km	3.904	3.863	3.809
Overhead LV grids	km	23.723	23.693	23.639
Underground LV grids	km	9.206	9.100	9.022
Transformation centres	No.	17.948	17.895	17.850
Transformation centres' installed capacity	MVA	5.114	5.083	5.041
Substations (1)	No.	275	274	274
Transformers in substations (2)	No.	316	315	312
Installed capacity in substations	MVA	13.519	13.238	13.129

Electricity distribution	UN	2023	2022	2021
SUPPLY POINTS	No.	1.390.525	1.383.123	1.376.478
Low voltage (<1kV)	No.	1.387.905	1.380.518	1.373.898
Medium voltage (>1kV and <36 kV)	No.	2.387	2.367	2.343
High voltage (> 36 kV)	No.	233	238	237
DISTRIBUTED ENERGY	GWh	12.677	13.286	14.092
Low voltage (<1kV)	GWh	6.004	6.558	4.120
Medium voltage (>1kV and <36 kV)	GWh	2.756	2.813	2.798
High voltage (> 36 kV)	GWh	3.917	3.914	7.174

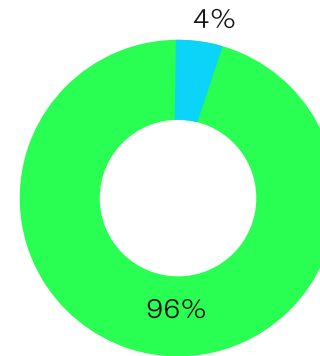
(1) It includes MV substations (MV/MV and Manoeuvre-Interconnection

(2) Power transformers in substations and cold reserves

Environmental data

EMISSIONS (ktCO ₂ eq)	UN	2023	2022	2021
Scope 1	kt CO ₂ eq	2,7	1,9	2,0
Scope 2	kt CO ₂ eq	62,9	96,2	82,5
Scope 3	kt CO ₂ eq	1.265,0	1.907,2	1.789,1

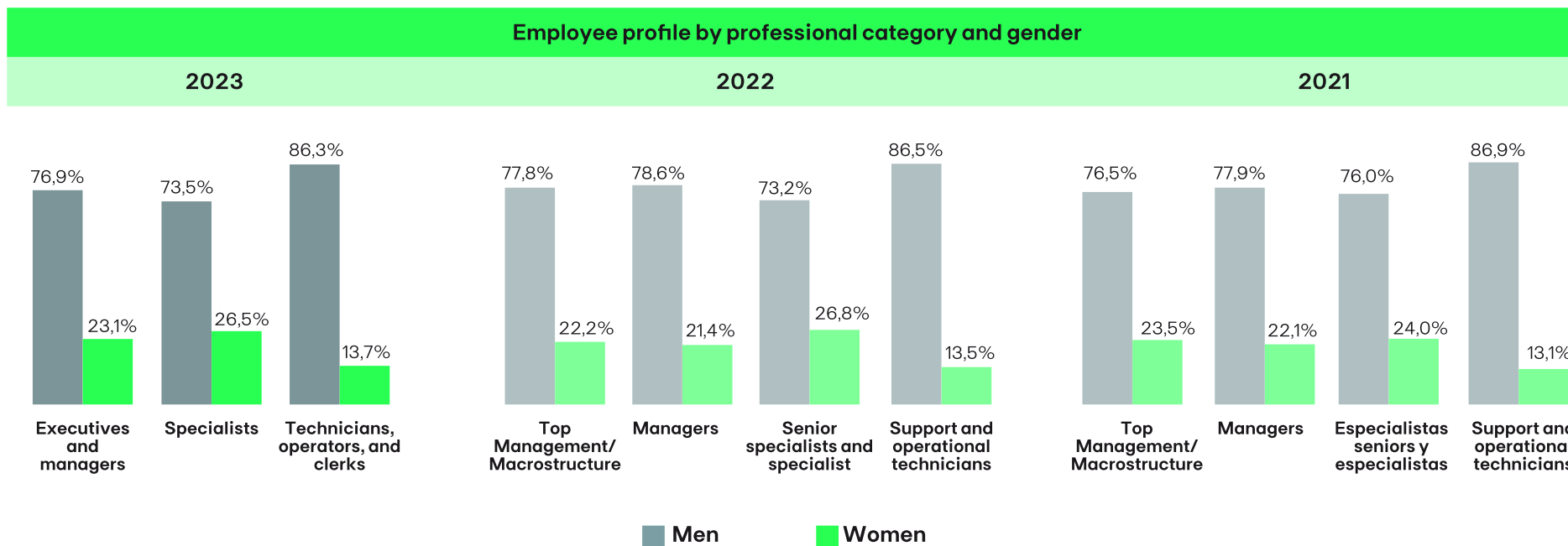
WASTE AND BY-PRODUCTS	GWh	2023	2022	2021
Total hazardous waste	t	1.716,1	694,7	773,9
Total hazardous waste recovered (%)	%	94%	86%	57%
Total non-hazardous waste	t	29.632,2	14.874,6	15.577,1
Total non-hazardous waste recovered (%)	%	96%	89%	72%



- Total non-hazardous waste
- Total hazardous waste

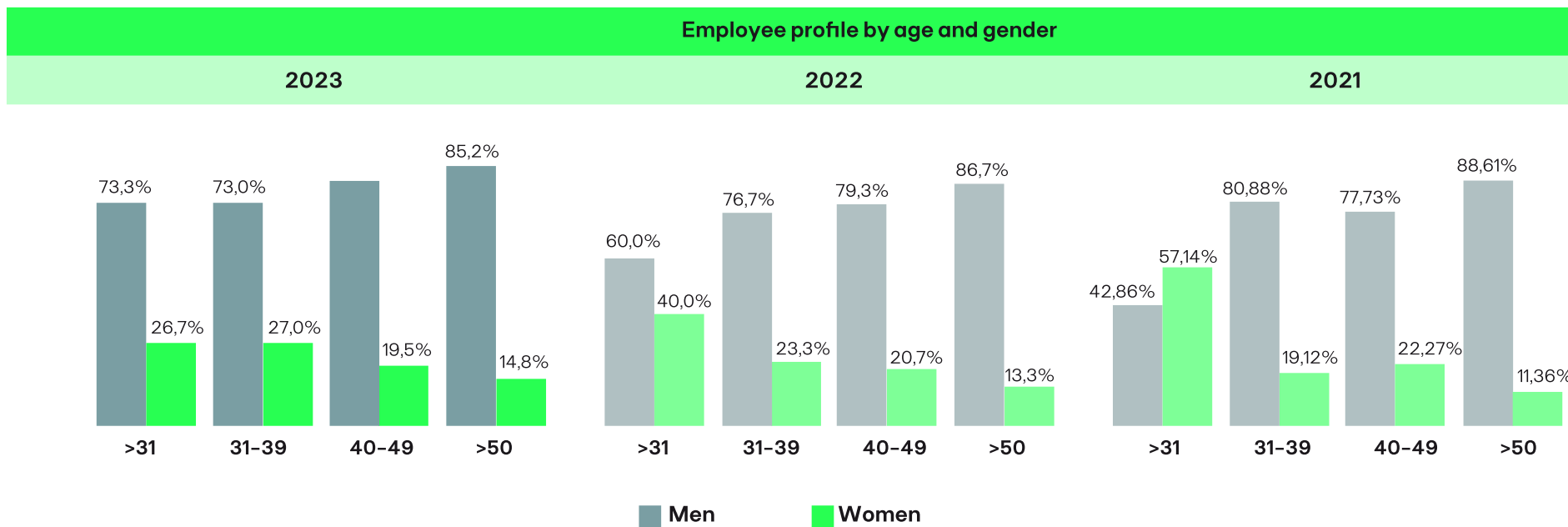


Employee profile by professional category and gender							
Total %	2023		2022		2021		
	Men	Women	Men	Women	Men	Women	
Executives and managers	76,9%	23,1%	Top Management/Macrostructure	77,8%	22,2%	76,5%	23,5%
Specialists	73,5%	26,5%	Managers	78,6%	21,4%	77,9%	22,1%
Technicians, operators, and clerks	86,3%	13,7%	Senior specialists and specialists	73,2%	26,8%	76,0%	24,0%
			Support and operational technicians	86,5%	13,5%	86,9%	13,1%





Employee profile by age and gender						
Total %	2023		2022		2021	
	Men	Women	Men	Women	men	Women
>31	73,3%	26,7%	60,0%	40,0%	42,86%	57,14%
31-39	73,0%	27,0%	76,7%	23,3%	80,88%	19,12%
40-49	80,5%	19,5%	79,3%	20,7%	77,73%	22,27%
>50	85,2%	14,8%	86,7%	13,3%	88,61%	11,36%

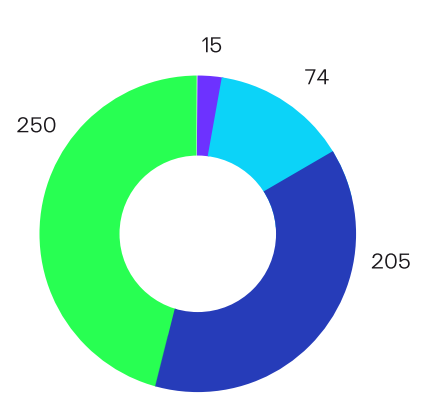


Total nº		Employee profile by professional category		
	2023		2022	2021
Executives and managers	52	Top Management/Macrostructure	18	17
Specialists	170	Managers	84	86
Technicians, operators, and clerks	322	Senior specialists and specialists	112	121
		Support and operational technicians	326	335

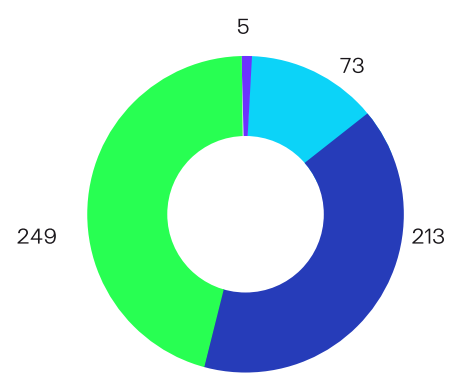


Total nº	Employee profile by age		
	2023	2022	2021
<31	15	5	7
31-39	74	73	68
40-49	205	213	220
>50	250	249	264

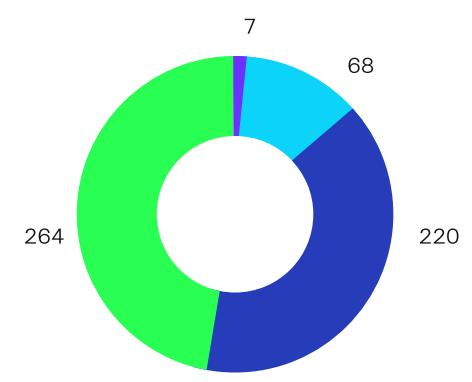
Employee profile by age



- <31
- 31-39
- 40-49
- >50



- <31
- 31-39
- 40-49
- >50



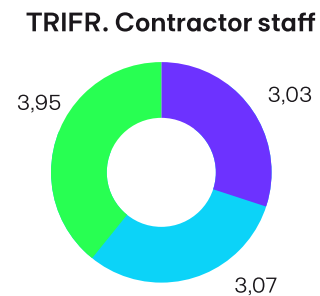
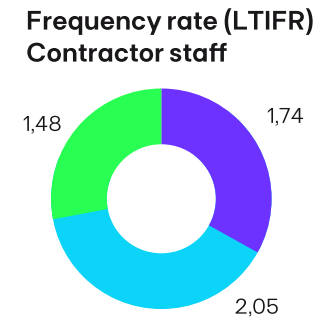
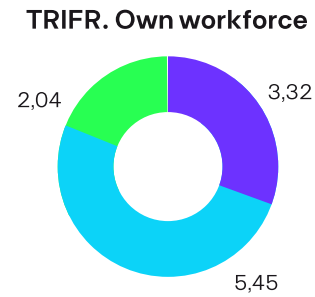
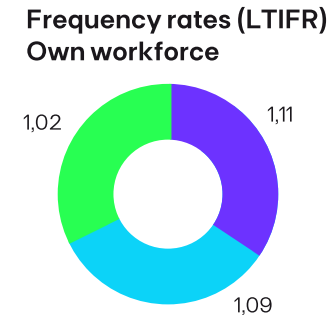
- <31
- 31-39
- 40-49
- >50

Occupational health and safety management

		2023	2022	2021
Electricity business—Own workforce				
Accidents involving leave	No.	1	1	1
Accidents not involving leave	No.	2	6	1
Fatal accidents	No.	0	0	0
Total accidents own workforce	No.	3	7	2
Frequency rate (LTIFR)	no./hrs * 1 million	1,11	1,09	1,02
Total recordable injury frequency rate (TRIFR)	no./hrs * 1 million	3,32	5,45	2,04



		2023	2022	2021
Electricity business - Contractor staff				
Accidents involving leave	No.	4	4	3
Accidents not involving leave	No.	4	3	5
Fatal accidents	No.	0	0	0
Total accidents contractor staff	No.	8	7	8
Frequency rate (LTIFR)	no./hrs * 1 million	1,74	2,05	1,48
Total recordable injury frequency rate (TRIFR)	no./hrs * 1 million	3,03	3,07	3,95



Frequency rate: No. of accidents involving leave/worked hours 10⁶

