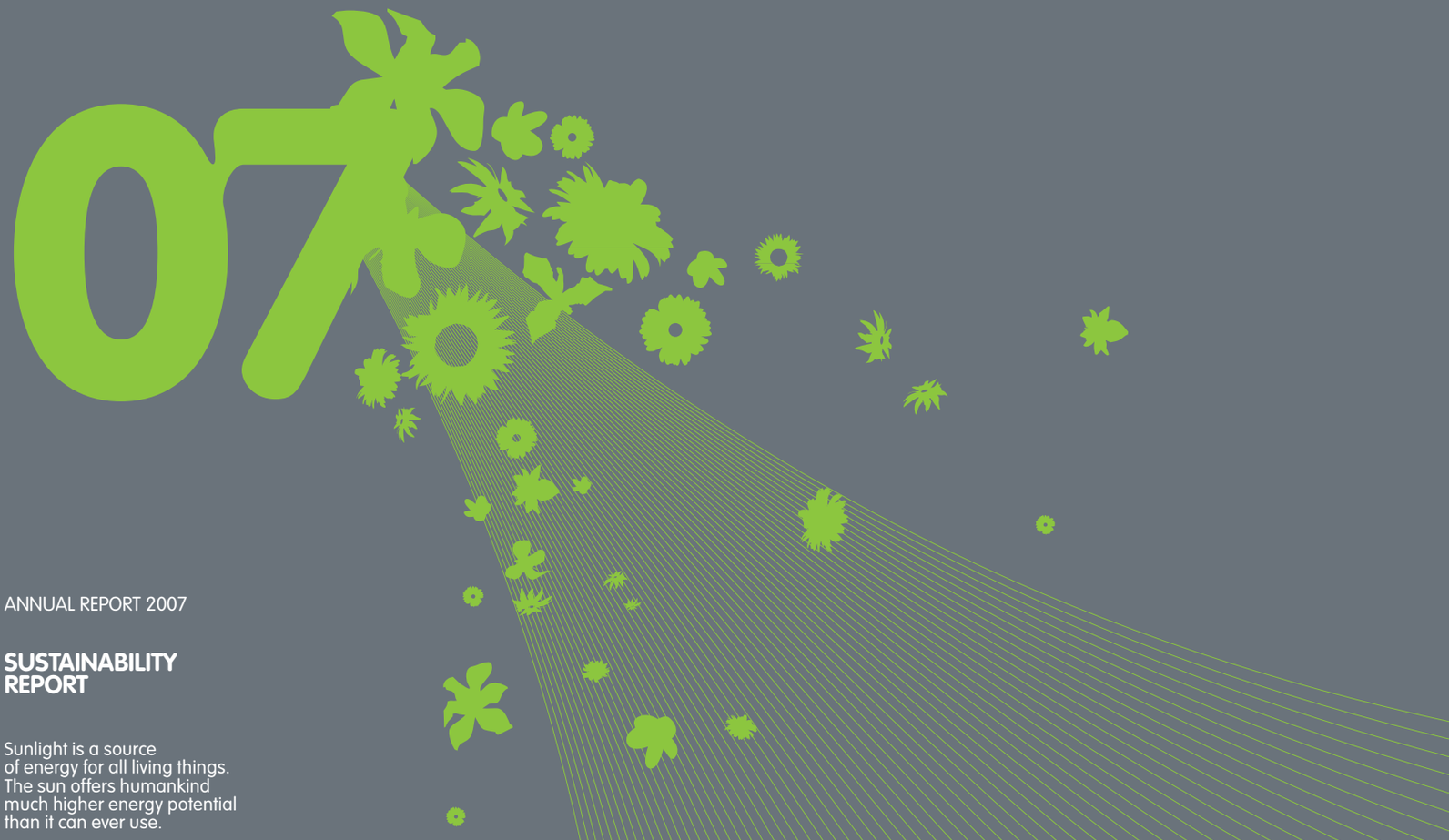

ANNUAL REPORT 2007

SUSTAINABILITY REPORT

Sunlight is a source of energy for all living things. The sun offers humankind much higher energy potential than it can ever use.

edp


07

SUSTAINABILITY REPORT

edp

Contents


"Corporate governance should not be mechanical compliance with the rules. It should be critical reflection on the governance practices adopted to ensure that the company's business activity is undertaken in its own interest."

Message from the Chairman of the General Supervisory Board

The fast rate at which the environment is deteriorating due to causes that are common knowledge is so evident that it requires no demonstration. This is why the world is waking up, though not as fast as necessary, to the urgent need to take measures, first to reduce this rate of deterioration and then to help the environment to regain its capacity to recover from the damage done by human activity.

The blatant inequalities in the world today have generated a legitimate desire on the part of millions of disadvantaged people to one day achieve standards of living in line with those of the privileged minorities. This legitimate aspiration, if burdened with all the costs of sustainability, may constitute a factor of political and social upheaval unlikely to reverse this deterioration in good time.

The battle for sustainability, which is not limited to climate change, cannot be won only by good intentions and voluntary individual behaviour. It requires a concerted effort and the commitment of all.

First and foremost, it needs the political powers to have the courage to adopt policies truly linked to the goal of sustainability. It needs education policies that help to cement a culture fostering environmentally friendly social behaviours that are then ref ected in real action. It needs economic policies that promote efficient but feasible action by all economic agents, such as the efficient use of resources, the fight against waste and the eradication of unnecessary consumption, which will naturally affect the economic growth rate, as the economy is highly dependent on consumerism.

Where corporate activity is concerned, we are asked in the legal and regulatory framework established by the political powers to change our generation processes in order to reduce energy use. But we are also asked to adopt a proactive attitude in order to balance the legitimate interests of our shareholders, customers, suppliers and employees with a pressing need to reduce the effect of our activity on the environment.

The search for this balance includes, among other tasks, fostering the development of a corporate culture of environmental responsibility for all those involved in the value chain, meaning that they find it quite natural to include in their decision-making and operating processes the environmental costs necessary to reduce impacts or repair the damage done by decades of activity unconcerned about sustainability.

The members of the public, the main beneficiaries of appropriate sustainability policies, are asked to change their consumption habits by using their own cars less and eliminating causes of energy inefficiency. As educators, people must actively help through words and deeds to instil a strong environmental awareness in future generations who will be largely responsible for shouldering the burden of the unbridled use of natural resources in the last two centuries.

EDP's General Supervisory Board devoted particular attention to sustainability issues in the different dossiers in which it had to intervene, especially those related to investment projects. I am very pleased to be able to report here that EDP, which has long been sensitive to environmental issues and aware of its responsibilities in this area, has adopted a development strategy that is strongly committed to the use of renewable energy sources to generate electricity and to the development of an internal culture of social and environmental responsibility based on high integrity and ethical standards that are very clearly demonstrated in our annual report in general and in the sustainability report in particular.

In addition, fully aware of its responsibilities, EDP, on its own or in conjunction with national and foreign institutions, also fosters the development of environmental behaviour consistent with the needs of sustainable development on the part of its suppliers and customers and in society as a whole, especially young people.

While the saying "one swallow doesn't make a summer" is certainly true, although we are concerned about the size of the challenge of sustainability that the world has to face, examples like EDP enable us to look to the future with confidence, optimism and hope.

António de Almeida
Chairman of the General Supervisory Board


"We believe that we have the vision, timing, resources and the right team to continue to make a difference in the sector – more growth and lower risk."

Message from the Chairman of the Executive Board of Directors

The energy sector is going through a time of great change. EDP has been able to anticipate and lead, which are essential conditions for guaranteeing its profitable growth and meet its corporate responsibilities.

EDP is better prepared today. The growth in gross operating profit (EBITDA) of 14% against the previous year shows the success of EDP's strategy and the decisions it made in 2007. it was achieved by our capacity to anticipate changes in a sector undergoing profound change and by our people's motivation and alignment.

We have continued to pursue our sustainable growth strategy, increasing our investment in renewables, improving the energy efficiency of our thermoelectric facilities, reducing specific CO_2 emissions, promoting efficiency in the end use of energy and managing CO_2 needs, essential in reducing the risk associated with the recently approved PNALE II (2008-2012).

Today green wind and hydroelectric power represents 59% of our installed electricity generation capacity. CO_2/MWh emissions were 9% lower than in 2006 and 23% lower than in 2002, which is in line with our strategic goal of reducing emissions by about 35% against 2006 between 2007 and 2010.

The acquisition of Horizon Wind Energy in July 2007 was an important milestone in our internationalisation strategy and commitment to renewable energy sources. Our investment in the United States market and the consolidation of NEO Energia in Europe (Portugal, Spain, France, Belgium and Poland) positioned EDP as the world's fourth largest wind-power operator, with a gross installed capacity of 3.639 MW (132% more than in 2006).

We launched another 880 MW of hydroelectric energy in Portugal, in a historic year for the sector. Our goal is to reach a hydroelectric power of 5,542 MW in 2013. The new Baixo-Sabor plant (170 MW in 2013) and the increase in power at Bemposta (191 MW in 2011) and Picote (241 MW) will contribute to this.

In the Iberian Peninsula, new investments in coal power stations helped improve our environmental performance. Particularly important were the investments of some EUR 120 million in improving the quality of atmospheric emissions at our plants in 2007.

EDP was the first Portuguese company to define a biodiversity policy, as we wanted to play an even more active role in conserving and promoting it. We set up the EDP Biodiversity Fund totalling EUR 2.5 million over five years to finance third-party projects not directly associated with EDP's activities. We also signed a memorandum of understanding with the ICNB to promote action in this area as part of the Business & Biodiversity initiative of the Portuguese Presidency of the EU.

We increased our dialogue with NGOs via an exclusive channel on the EDP website in order to gather suggestions and communicate with them continuously.

In the area of energy demand efficiency, EDP invested EUR 10 million in a vast series of activities in the ECO Programme in 2007. The "The world is in our hands" campaign was particularly important, as it effectively consolidated our values of solidity, credibility and corporate responsibility. Also under the ECO Programme, EDP participated in PPEC 2007, promoted by the ERSE, with 12 approved measures corresponding to 81% of the total amount available. These measures included the distribution of 650,000 efficient light bulbs all over the country, the "The Environment belongs to us all" school programme that reached more than 310,000 pupils and the EnergyBus, a theme bus on energy and energy efficiency that has travelled the country.

SUSTAINABILITY REPORT

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I would like to underscore the quality and commitment shown by our 13,097 people, who are fundamental to the results achieved and the future of our business. In 2007, the organisational model in the Human Resource Department was revised and great impetus was given to the implementation of the Talent project, supported by the eneRHgia system. These are essential tools in attracting assessing and developing competences and compensating and managing careers and talents.

2008 will be a very demanding year. We must continue to implement our strategic plan, procedding with growth in renewable energies and increasing our capacity to respond to a sector in rapid transformation while still involving the organisation to achieve excellence of performance.

In 2008 we want to continue to lead, not only in business but also in our social and environmental responsibility. This is our commitment to our shareholders, customers, employees and suppliers and to our community as a whole.

António Mexia

Chairman of the Executive Board of Directors

Important Events

07

Construction of power increase begins at Picote Dam. EDP signs the construction contract to increase installed capacity in Portugal by another 246 MW by 2011

EDP awards contract for construction of Lares CCGT. EDP awards the contract for a new natural gas combined-cycle natural power station (CCGT) in Lares, Figueira da Foz, with an installed capacity of 400 MW.

EDP acquires Horizon Wind Energy. EDP purchases 100% of Horizon's share capital. The takeover is financed with a syndicated bank loan of USD 3 billion.

EDP announces biodiversity policy and EDP Biodiversity Fund. In an initiative to help foster biodiversity, EDP provides a total of EUR 2.5 million over five years for projects promoting knowledge in this area.

2008 EDP is silver in Sustainability. SAM classifies EDP's sustainability performance in the silver category in the electricity sector along with its Spanish counterparts Endesa, Rede Eléctrica de España and Union Fenosa.

2008 Best of European Business (BEB). EDP wins the Best of European Business (BEB) award in the cross-border M&A category.

2008 is voted the Best Large Company to Work for. EDP is considered the Second Best Large Company to Work for in Portugal by Exame magazine and Heidrick & Struggles.

AUG

Energias do Brasil in a consortium wins contract to build a coal-fired power station in Brazil. Energias do Brasil and MPX Mineração e Energia in a 50-50 partnership wins a long-term contract under a LTSC for the sale of electricity from the Pecém coal power station to be built in Ceará (700 MW), in an auction organised by the Brazilian regulatory authorities.

SEP

EDP signs agreement to operate the Alqueva and Pedrógão hydroelectric power stations. EDP Produção will operate the hydroelectric power stations at Alqueva (240 MW) in a market regime and Pedrógão (10 MW) in a special regime, for 35 years and has been allocated the rights for the private use of its water resources.

EDP enters into a strategic partnership with Sonatrach. EDP signs a series of agreements to establish the initial terms of a strategic partnership in the area of natural gas with the Algerian company Sonatrach, the world's second largest LNG exporter.

OCT

Castejón Plant receives EMAS Certification. The Castejón Combined Cycle Power Station is the first in the EDP Group to obtain this certification.

NOV

Neo acquires 1 022 MW from wind projects to be undertaken in poland. NEO, the EDP Group company responsible for developing renewable energy, acquires projects for the development of wind farms in Poland.

Energias do Brasil guarantees maintenance of Bovespa, Corporate Sustainability Index. Guaranteed for the second year running, the new portfolio will remain in effect until 30 November 2008. The index is a reference for companies committed to sustainability and fosters good practices in the Brazilian market.

DEC

EDP acquires mini-hydroelectric power stations in Portugal. EDP signs a contract investing in 11 special-regime mini-hydroelectric power stations with a capacity of 89.1 MW with operating licences expiring between 2025 and 2040.

JAN

2008

EDP's Code of Ethics regulations approved. The approval of these regulations means that the corporate Ethics Committee can go into operation. It will work in liaison with the Corporate Governance and Sustainability Committee of the General Supervisory Board.

FEB

Key Sustainability Indicators

07

Consolidated EDP Group	2007	2006	Var. %
Economic and financial indicators (EUR thousand)			
GVA per employee	278	238	16.81
Turnover	11 010 778	10 349 826	6.39
Contribution to the GDP (turnover) (%)	6.8%	6.7%	0.09 p.p.
Gross operating profit	2 628 274	2 305 450	14.00
Operating profit	1 560 329	1 253 036	24.52
Accumulated economic value	800 643	618 397	29.47
Net profit	907 252	940 823	-3.57
Net operating investment	2 700 166	1 456 537	85.38
Net assets	31 483 807	25 468 911	23.62
Return on assets	3.2%	3.8%	-0.57 p.p.
Equity	6 264 146	5 589 235	12.08
Return on equity	15.1%	18.5%	-3.44 p.p.
Financial liabilities	11 698 895	10 153 050	15.23
Market appreciation	16 344 724	14 041 105	16.41
Profit per share (EUR)	0.25	0.26	-3.80
Dividend yield	2.80%	2.86%	-0.07 p.p.
Environmental investment	142 712	150 444	-5.14
Fines and penalties	484	258	87.54
Environmental fines	9	366	-97.53
State subsidies	993	186	434.13
Investment in R&D and innovation	13 306	n.d.	-
Operating indicators			**Var. %**
Maximum installed capacity (MW) [1]	15 363	13 431	14.39
Gross electricity generation (MWh) [2]			
Total	51 287 972	50 533 163	1.49
Thermal [3]	32 253 230	33 177 079	-2.78
Renewable	19 034 742	17 356 085	9.67
Net electricity generation (MWh) [2]			
Total	**47 356 638**	**46 896 863**	**0.98**
Conventional thermal	19 443 031	21 168 200	-8.15
Combined cycle	7 832 311	7 420 408	5.55
Co-generation [4]	1 208 176	1 254 398	-3.68
Hydroelectric [5]	14 984 364	15 091 965	-0.71
Wind	3 771 812	1 919 739	96.48
Biomass [6]	116 945	42 154	177.42
Thermal energy (TJ)	7 860	6 180	27.20
Electricity generated per employee (GWh)	3.6	3.5	3.70
Primary energy consumption (TJ)			
Total	**261 151**	**271 631**	**-3.86**
Coal	166 152	183 799	-9.60
Fuel oil	15 117	17 857	-15.34
Natural gas	63 503	57 615	10.22
Blast furnace gas	10 101	8 388	20.42
Coke gas	3 293	2 207	49.23
Diesel	67	85	-21.17
Propane gas	2	3	-27.55
Forest waste	1 443	1 411	2.21
Metallurgical gas	1 208	n.d.	—
Fuel consumption by vehicle fleet	265	266	-0.36
Electricity consumption			
Consumption by generation (MWh)	1 457 748	1 687 714	-13.63
Consumption at the company offices (MWh)	33 411	24 597	
Outgoing electricity from the distribution grid (MWh)	81 540 797	78 964 545	3.26
Electricity sales - Regulated market (MWh)	41 545 837	62 054 954	—
Electricity sales - Supply (MWh)	13 740 909	19 052 280	n.d.
Sales of green electricity (kWh)	2 921 503	n.d.	—
Electricity distributed per employee (GWh)	6.3	5.9	6.04

	2007	2006	Var.%
Environmental indicators			
ISO 14001 environmental certification			
Certified maximum net installed capacity (%)	67	65	2.70 p.p.
Distribution of certified gas (%)	100	100	0
Atmospheric emissions			
Total emissions (kt)			
CO_2	23 422	24 476	-4.31
SO_2	100.75	107	-5.66
NOx	52.26	60	-12.87
Particles	3.69	4	-8.68
Total CO_2 specific emissions (g/kWh) [8]	457	484	-5.72
Specific emissions - thermal power stations (g/kWh) [8]			
CO_2	726	739	-1.74
SO_2	3.12	3.22	-3.13
NOx	1.62	1.81	-10.53
Particles	0.11	0.12	-6.24
Collected water by source			
Sea (m^3x10^3)	1 507 526	1 647 851	-8.52
River/Stream (m^3x10^3)	344 272	400 267	-13.99
Reservoir (m^3x10^3)	1 493	1 539	-2.99
Borehole (m^3x10^3)	1 177	995	18.29
Well (m^3x10^3)	16	19	-11.83
Other [9]	1 102	1 138	n.a.
Water use			
Cooling water (m^3x10^3)	1 851 183	2 047 095	-9.57
Raw water (m^3x10^3)	5 929	4 417	34.22
Drinking water (m^3x10^3)	216	222	-2.74
Waste water			
Total volume of eff uent treated in generation (m^3)	9 812 878	9 229 487	6.32
Discharge into the sea (m^3) [9]	1 509 195 064	1 649 366 496	-8.50
Discharge into internal waterways and estuaries (m^3) [9]	336 811 581	390 429 825	-13.73
Water routed through to end disposal			
Total waste (t)	958 988	1 122 882	-14.60
Total hazardous waste (t)	2 641	3 483	-24.19
Recovered waste (%)	84	84	0 p.p.
Biodiversity			
km of HV lines in nature-classified areas	1 279	906	41.24
km of MV lines in nature-classified areas	18 780	11 168	68.16
No. of substations in nature-classified areas	62	46	34.78
Social indicators	**2007**	**2006**	**Var.%**
Employment and labour relations			
No. of employees	13 013	13 363	-2.62
Employee turnover	0.05	0.06	-14.94
Average employee age (years)	45	45	1.03
Absentee rate (%)	3.74	4.05	-0.31 p.p.
Total training hours [10]	464 807	332 771	39.68
Employees trained (%) [10]	91	69	22.22 p.p.
Work productivity (EUR/h)	160	133	19.62
Safety and accident prevention [10]			
Installed capacity with 18 001 OSHAS certification	56%	64%	-8.00 p.p.
On-duty accidents (no.)	84	110	-23.64
Severity rate (Tg)	225	252	-10.55
Frequency rate (Tf)	3.70	4.61	-19.78

(1) Capacity in power stations in operation. **(2)** Excluding Trillo nuclear power station. **(3)** Including biomass. **(4)** The power station previously classified as "waste" is co-generation. **(5)** Including generation at the Lajeado power station to the proportion of 27.65%. **(6)** Some of the power stations classified as "waste" are biomass. **(7)** Based on gross generation. The amount of total emissions for the Group and specific thermal emissions in Spain has been corrected (waste included). **(8)** In 2007, this includes the information on the mains water system for HC, not available for 2006. **(9)** The amounts include cooling water. **(10)** Excluding USA **n.a.** - Not applicable **n.d.** - Not available

SUSTAINABILITY REPORT

Content and organisation of Report

07

Scope

This 2007 Sustainability Report reports on the company's performance from 1 January to 31 December 2007 and also mentions any important events that occurred in the first quarter of 2008. In addition to this annual report, every quarter EDP publishes an on-line version of the company's most important sustainability indicators.

There are also operational and environmental figures available on line for each EDP facility to complement this section.

As in previous years, this report is an integral part of the 2007 EDP Annual Report and Accounts. The others (Institutional and Corporate Governance and Financial Reports) provide additional information on the company's performance during the year.

Sustainability reports are also published for the Group's companies in Spain and Brazil and provide more detailed information on the sustainability performance of the different EDP companies.

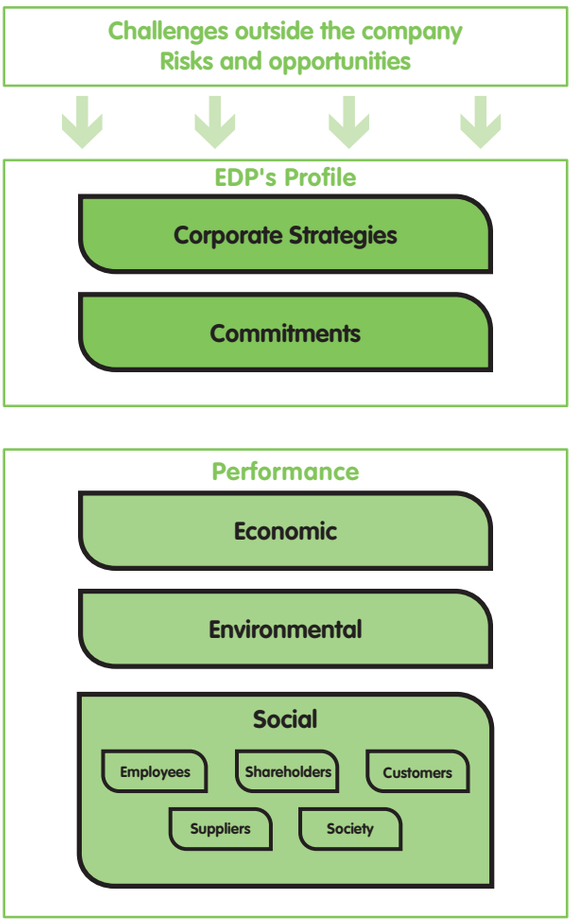
Organisation

The report is organised as follows:

- The company's strategic framework brief y describing its business and identifying the main challenges that it currently faces;
- Corporate strategy and company's main commitments;
- Sustainability performance based on the triple bottom line for the economic, environmental and social components, which is organised on the basis of the company's main stakeholders in order to try to meet every group's expectations by compiling each one's information in a single, easy-access chapter.

Purpose

The idea of this report is to give a brief description of the company's good sustainability practices. This year, we endeavoured to reduce its size while still maintaining the quality of its contents. Whenever appropriate, we refer readers to other company sources for further information. We believe that a briefer section is more attractive and arouses readers' curiosity about more information in other sources, like our website www.edp.pt



GRI Guidelines

The report complies with the Global Reporting Initiative G3 Guidelines. The pilot version of the Supplement for the Electricity Sector helped to identify the most appropriate contents for the sector and EDP's current degree of compliance. This report was not intended to comply with all provisions in this version, though we plan to ensure that it does in 2008.

There is a table showing a summary of compliance with the GRI guidelines on page 96 of this report. A detailed description is available on www.edp.pt/Sustainability/reports

Global Compact Guidelines

In 2004, EDP joined Global Compact, promoted by Koffi Annan, former UN Secretary-General. Since then, our progress

in applying the 10 Global Compact principles has been described in this report (see page 96).

Corporate consolidation criteria

The simplified EDP Group organisation chart (page 20) shows the companies making up this section.

The same consolidation criteria have been used as in 2006. The following accounting methods were adopted for the consolidation of accounts:

Full: Reporting the performance of the companies owned 100% or controlled by EDP

Proportional control: Consolidating only the percentage owned in the following companies: a EDP Produção Bioeléctrica, COGENERACION Y MATENIMIENTO AIE-2, PROENERCAM, S.L.-2, BIOASTUR AIE-2, TEBAR EOLICA, S.A, Compañia Eólica Aragonesa, all 50% and EVOLUCIÓN 2000 S.L. at 49.15%;

External checks

The scope of checks of the content of the EDP Sustainability Report has been substantially extended to include qualitative information.

The information on the performance of Horizon was not included in the checks as the company was acquired recently and procedures and information are still being harmonised. There are also notes that do not include the new hydroelectric power stations at Alqueva and Pedrógão, the operating rights of which were only recently acquired.

The checks were conducted by an external organisation, PricewaterhouseCoopers, which was selected on the basis of requests for quotes from four companies of recognised experience.

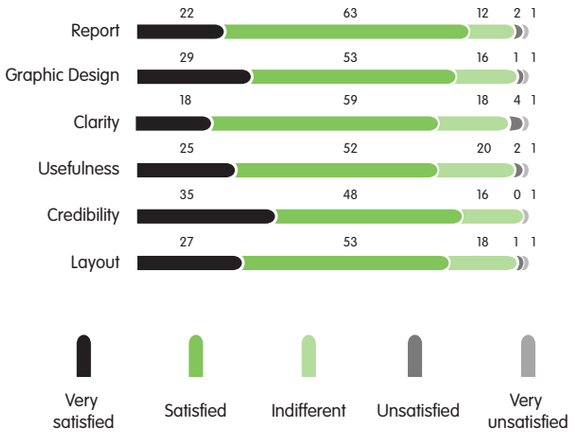
The Additional Information chapter in this section contains definitions of the quantitative indicators given in the document for further clarification.

Survey on Sustainability Report

In 2007, we conducted a satisfaction survey on the sustainability report. More than 80% of the respondents were satisfied with the contents and 77% with their utility.

In 2008, EDP will be increasing the dialogue with priority stakeholders in Portugal and Brazil, which we expect to result in initiatives that adjust and improve the company's communication channels.

Satisfaction with EDP Sustainability Report



SUSTAINABILITY REPORT

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EDP's Profile and Strategies

SUSTAINABILITY REPORT

07

I. VISION, COMMITMENTS AND VALUES

VISION

An integrated energy company, a leader in value creation in the markets where we can make a difference.

COMMITMENTS

Customers:

- We put the customer first whenever we make a decision.
- We endeavour to anticipate the needs of our customers and fully meet them with our service.
- We know how to listen to our customers and never let their queries go unanswered, communicating with clarity and simplicity.
- We provide the best and most innovative solutions on the market.

People:

- Our people and our teams are our main competitive advantage.
- We work enthusiastically and energetically to move the world.
- We attract, develop and reward our best employees through a merit-based system.
- We delegate responsibilities and provide autonomy whilst demanding ethics, integrity and professionalism.

Life and the environment:

- We recognise the social responsibilities which result from a company of our size. We want to help build a fairer society.
- We have a passion for living and a deep respect for nature.
- Our world is facing intense climatic challenges. We want to help restore the environmental balance and ensure its sustainability.
- We help our customers make rational use of energy as a way of assisting them and improving the environment.

Results:

- We respect the trust that our shareholders and investors place in us and we reward them with our results.
- We always seek to improve our performance and achieve excellence, working in partnership with our providers.
- We lead the energy markets in which we operate with top-level results in customer satisfaction, operational performance and efficiency indicators.
- We always seek success in everything that we do.

EDP VALUES – THE EDP WAY

Efficient and Excellent

Natural and Sustainable

Enthusiastic and All-encompassing

Responsible and Trustworthy

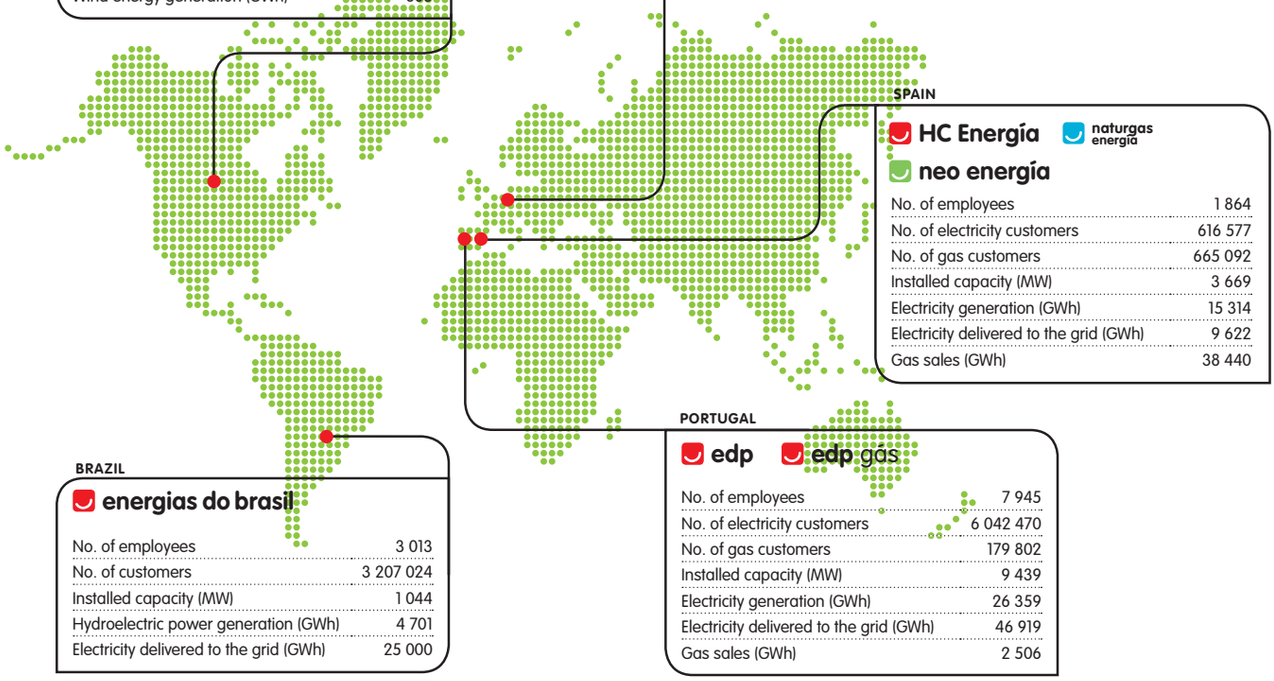
Global and Fair

Innovative and Enterprising

Ambitious and Receptive

2. EDP AROUND THE WORLD

We create value in markets where we can make a difference.



USA

Horizon Wind Energy
An EDP Renewables Company

No. of employees	191
No. of customers	n.a.
Installed capacity (MW)	1 224
Wind energy generation (GWh)	863

FRANCE/ BELGIUM

neo energía

No. of employees	Adjointed with Spain
No. of customers	n.a.
Installed capacity (MW)	87
Wind energy generation (GWh)	119

SPAIN

HC Energía naturgas energía

neo energía

No. of employees	1 864
No. of electricity customers	616 577
No. of gas customers	665 092
Installed capacity (MW)	3 669
Electricity generation (GWh)	15 314
Electricity delivered to the grid (GWh)	9 622
Gas sales (GWh)	38 440

PORTUGAL

edp edp gás

No. of employees	7 945
No. of electricity customers	6 042 470
No. of gas customers	179 802
Installed capacity (MW)	9 439
Electricity generation (GWh)	26 359
Electricity delivered to the grid (GWh)	46 919
Gas sales (GWh)	2 506

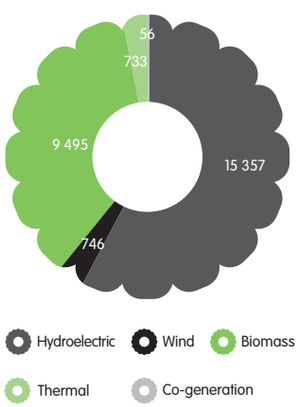
BRAZIL

energias do brasil

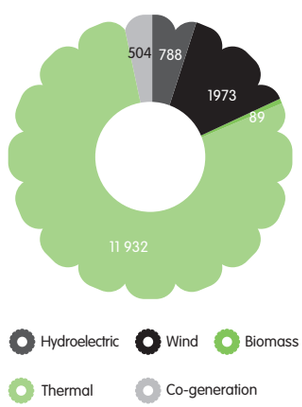
No. of employees	3 013
No. of customers	3 207 024
Installed capacity (MW)	1 044
Hydroelectric power generation (GWh)	4 701
Electricity delivered to the grid (GWh)	25 000

n.a. - Not applicable

Electricity Generation in Portugal (GWh)



Electricity Generation in Spain (GWh)



EDP's Profile and Strategies

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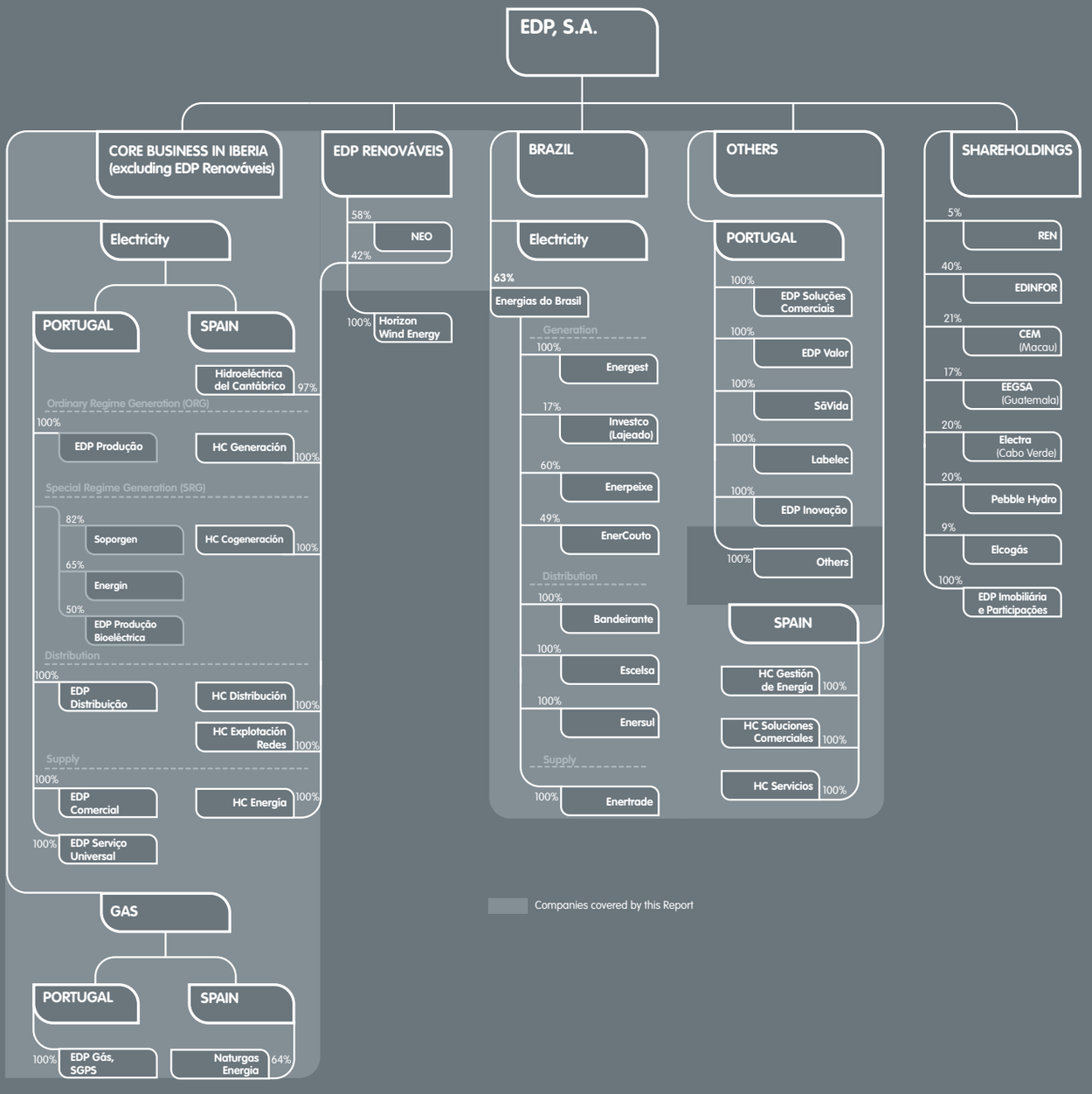


2.1. Business profile

The EDP Group operates in the energy sector and its main activities are the generation and distribution of electricity.

EDP operates predominantly on three continents and has grown in recent years in the gas sector and in expanding generation from renewable sources, particularly wind power.

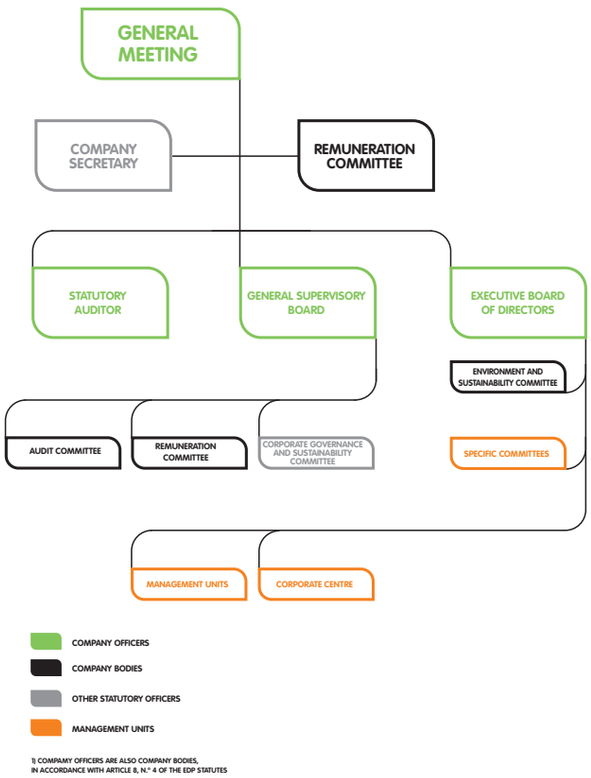
The organisation chart below is a simplified version. For more detail, please refer to the Institutional Report. As in previous years, the companies covered by this report have been highlighted.

2.2. Governance

2.2.1. Group

Since 2006, EDP has had a dual governance model with an Executive Board of Directors responsible for management, which is supervised by a General Supervisory Board.

Detailed information on the company's functional organisation is available in the Institutional and Corporate Governance Report (pages 128) and on www.edp.pt/Corporate Governance.



EDP's Profile and Strategies

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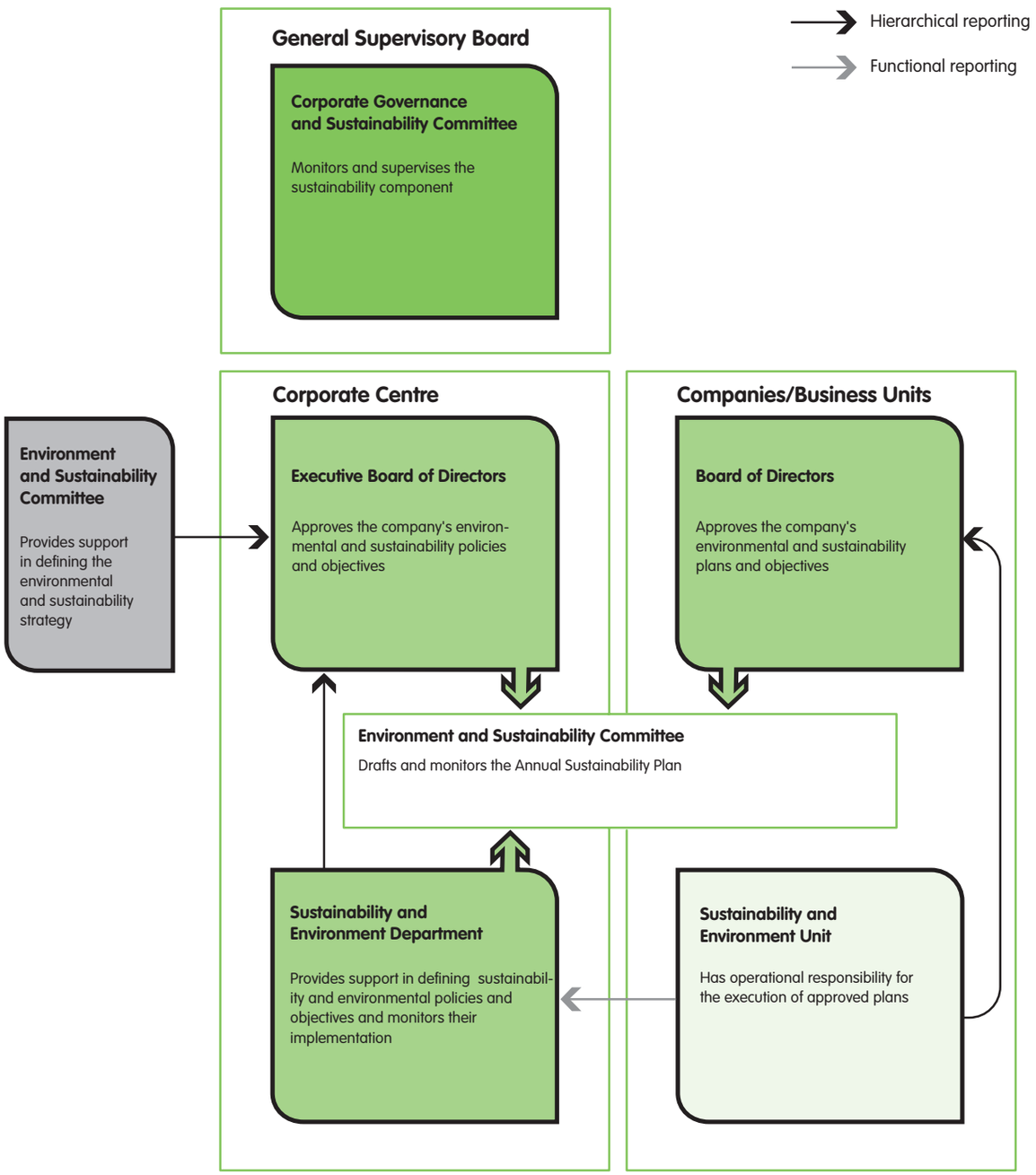
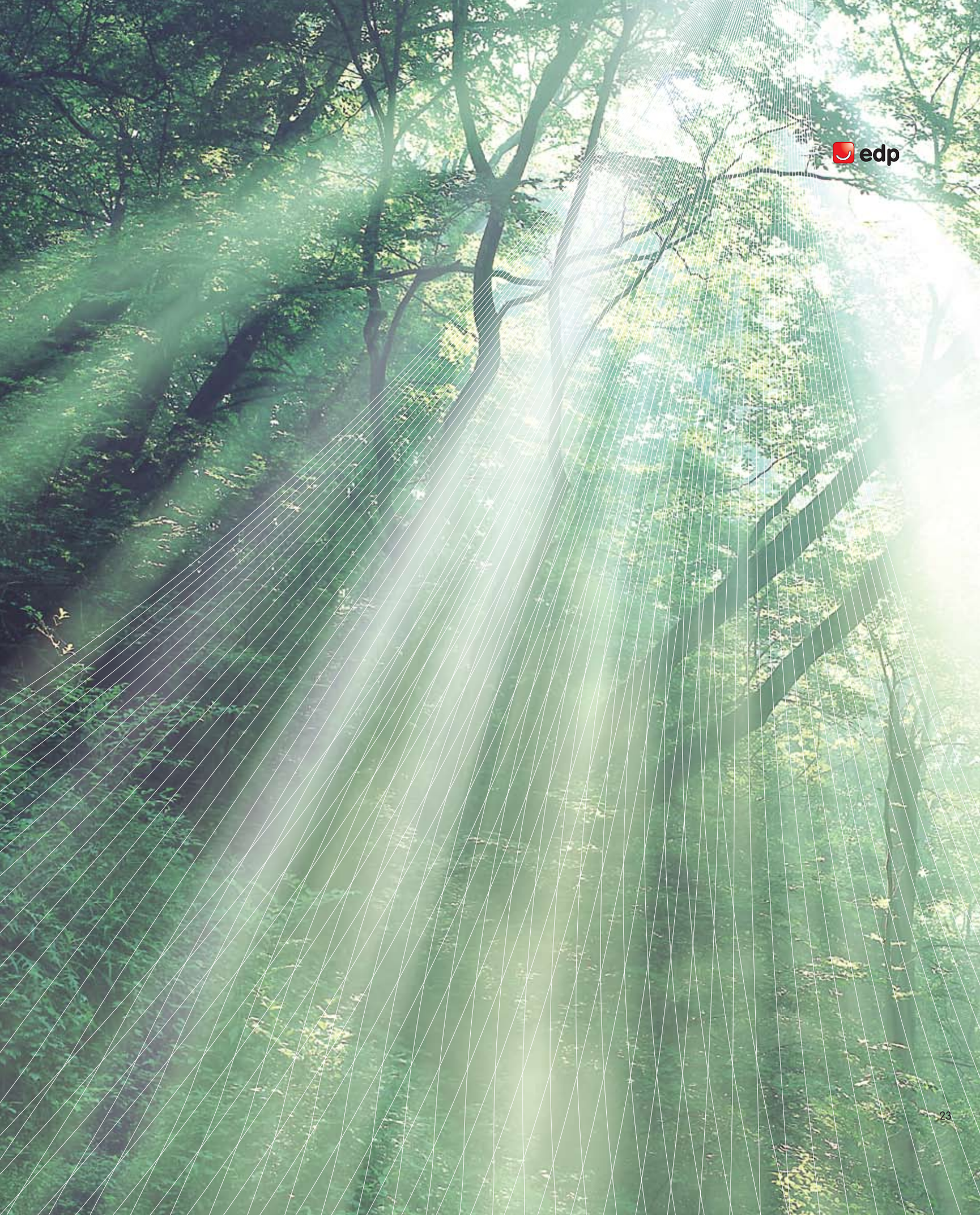
2.2.2. Sustainability

Sustainability management is intrinsic to the Group's management model. The sustainability and environment area has been organised for the sake of greater transparency of action and control of information, as summarised in the figure below. More detailed information on the functions of each body is available in the Institutional and Corporate Governance Report (page 129)





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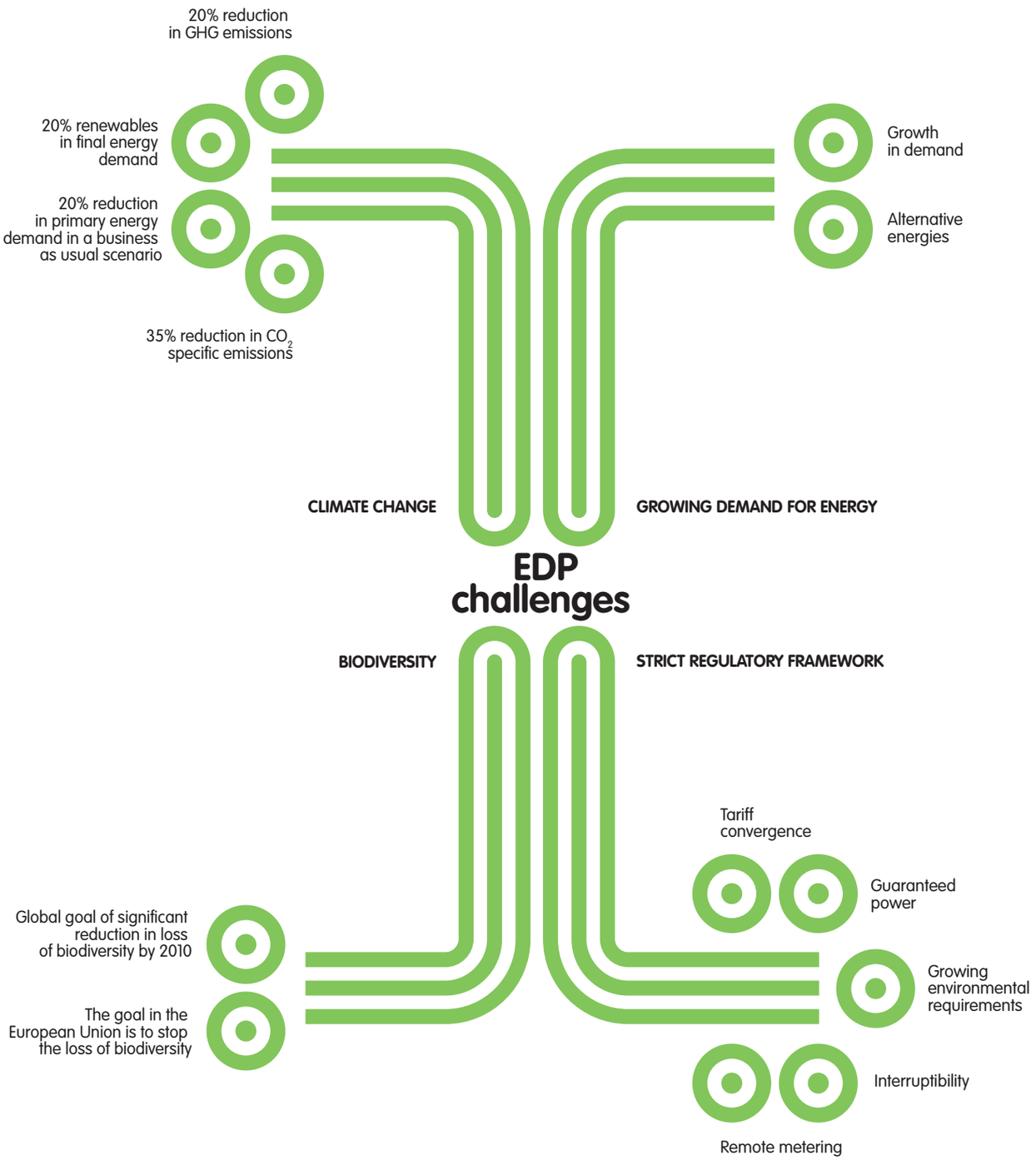
3. CHALLENGES



3.1. Growing demand for energy

The energy sector, which, along with transports, is one of those that contribute most to the increase in greenhouse gas (GHG) emissions, is facing important challenges to its sustainability. Final energy consumption is tending to grow. It is therefore necessary to meet this demand by more environmentally friendly means. Lastly, there is a need to diversity energy sources to guarantee security of supply.

The current energy policy in Brazil requires diversification of sources for generating electricity, which currently relies too heavily on hydroelectric generation, to ensure a secure energy supply in a scenario in which consumption is growing around 5% a year. The government has issued a public call for tenders for the construction of coal-burning thermoelectric power stations. EDP submitted a bid and included in its plans the best available technologies for mitigating environmental impacts of acidifying gases. EDP will also maintain its commitment to increasing hydroelectric capacity and is currently studying the installation of additional capacity of around 700 MW at medium term.

In the United States, our strategy involves implementing wind-energy projects, an area in which EDP has acquired great experience in the last 10 years. It is a market with high growth potential in a stable regulatory framework. Indeed, we are following a similar strategy in the expansion of the business to European countries outside the Iberian Peninsula.

In Europe in general and the Iberian Peninsula in particular, where EDP occupies a strong position in energy production and distribution, there is a growing trend towards more moderate consumption (2% to 3% a year). Our main challenges are the liberalisation of the markets, regulatory management to maintain a low risk profile and a common strategy against climate change and global warming.

3.2. Strict regulatory framework

The European internal electricity market has existed since 1997 when Directive 96/92/EC was approved. However, its implementation is more advanced in some European countries than in others. While countries like the United Kingdom, Germany and Sweden liberalised their markets in 2001, it occurred in Spain in 2003 and the market only totally liberalised in Portugal in 2006. However, even in this new liberalised market, European countries have very different scenarios, with different legal and regulatory frameworks and insurmountable physical restrictions on interconnections.

Aware of the relative isolation of the Iberian Peninsula from the rest of Europe because of the mountain ranges preventing an increase in interconnection capacity with France and in view of the political resolution to increase the size of markets and the level of competition in each country, the Portuguese and Spanish governments decided to set up the Iberian Electricity Market (MIBEL). As a result, the two countries have been working since 1999 on harmonising and converging regulations to comply with the liberalisation determined by European directives. Our response to the creation of the MIBEL is described on page 38 of this report.

This process meant that EDP had to adapt to a new wholesale model which is expected to involve more forward contracts and adaptation to growing competition in attracting customers.

Over the medium term, following the signing of agreements between the Portuguese and Spanish governments, particularly the Regulatory Compatibility Plan signed on 8 March 2007, the regulatory process will continue to face the company with new challenges, such as:

- **Tariff convergence**, requiring the harmonisation of methods for calculating access tariffs and abolishing integrated prices or sale to end users:
- **Guaranteed power**, providing for harmonisation of this mechanism at Iberian level, the goal being to ensure the necessary medium- and long-term generation capacity
- **Growing environmental demands**, met by increasing installed capacity at natural gas combined cycle power stations and hydroelectric power stations and adapting operating power stations, as shown by substantial investments in denitrification and desulphurisation.

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- **Interruptability**, with a plan to harmonise these mechanisms between Portugal and Spain by the second half of 2008 in order to increase security of supply and system stability

- **Telemetering**, with plan to replace meters by 2015, though MV, HV and EHV customers already have remote management and telemetering technology, the main challenge now being extending it to NLV (normal low voltage).

As for the gas sector in the Iberian Peninsula, the main challenge arises from the phased opening of the market to all customers by 2011. This liberalisation made it necessary to revise tariff mechanisms by adopting a regulatory structure similar to that in the electricity sector. Gas tariffs will be fixed under this new framework in July 2008.

To meet this challenge, EDP consolidated this business unit by setting up EDP Gás in 2007, which enabled us to achieve a vertical vision of the Iberian business and make the most of the know-how at each subsidiary.

In Brazil, the generation market is based on a structure of long-term supply contracts (LTSCs) between generators and distributors. There are auctions to meet long-term demand and short- and medium-term adjustment needs and a daily settlement market for adjustments in differences between forecast and actual consumption.

Electricity distribution is based on a fully regulated concession system and is remunerated on the basis of its operating costs and asset base. Electricity acquisition costs, as defined in contracts with producers, are passed on entirely to the consumer through end-user sales tariffs. Where regulations in Brazil are concerned special attention must be paid to price reviews by the Brazilian regulator (ANEEL).

3.3. Climate change

The energy sector provides a service that is essential to people's well-being and development while facing the enormous responsibility of combating climate change. This means satisfying growing demand for energy at competitive prices as efficiently as possible while reducing greenhouse gas (GHG) emissions.

The European Union has defined an integrated energy and climate change policy with very demanding goals for 2020:

- GHG emissions: 20% reduction against 1990

- Renewables: contributing 20% of final energy consumption

- Energy efficiency 20% reduction in primary energy consumption in a business as usual scenario

Over the long term, the draft revision of the European Trading Scheme (EU ETS) directive that will be in effect from 2013 to 2020 increases requirements for companies in the energy sector, with a considerable economic impact:

- National schemes for allocating free licences for the electricity sector are replaced by an auction scheme and the number of licences placed on the market is reduced annually.

- Electricity generation costs are bound to rise and, as a result, so will electricity prices and consumers' bills.

- The use of CDM-type mechanisms is limited to current levels.

At present, we are involved in the EU ETS, which is now entering the Kyoto period (2008-2012), with stricter requirements than the pilot phase for companies in the energy sector. The recently approved PNALE II (in Portugal) and the PNA (in Spain) allocated licences to EDP's generating facilities shown in the table below, which compares them to the pilot phase. We can see an overall reduction of around 30% in licences allocated to the EDP Group.

EDP has used a proactive strategy to anticipate these risks, the main goal being to reduce specific CO_2 emissions by 35% in 2010 against 2006.

This scenario also creates new opportunities, to which we pay particular attention. On one hand, increasing our investment in renewable energies and diversifying our generation portfolio constitute an important competitive advantage. On the other, we increase use of cleaner thermal generation processes, such as CCGTs or use so-called clean coal, with CO_2 capture and sequestration.

On the demand side, providing energy services to promote better energy efficiency is also a way of reducing CO_2 emissions while also generating a new business opportunity.

EDP Group CO_2 Emission Licences

tCO_2e	2005	2006	2007	2008	2009	2010	2011	2012
Portugal								
Carregado	1 088 575	1 088 575	1 088 575	853 659	853 659	853 659	853 659	853 659
Setúbal	2 505 210	2 505 210	2 505 210	1 969 512	1 969 512	1 969 512	1 969 512	1 969 512
Sines	7 837 380	7 837 380	7 837 380	6 318 166	6 318 166	6 318 166	6 318 166	6 318 166
Barreiro	253 048	253 048	253 048	244 610	244 610	244 610	244 610	244 610
Tunes	5 000	5 000	5 000	23 957	23 957	23 957	23 957	23 957
Ribatejo	2 019 570	2 019 570	2 019 570	1 592 005	1 592 005	1 592 005	1 592 005	1 592 005
Mortágua	1 510	1 510	1 510	1 218	1 218	1 218	1 218	1 218
Soporgen	239 942	239 942	239 942	239 306	239 306	239 306	239 306	239 306
Energin	199 250	199 250	199 250	225 955	225 955	225 955	225 955	225 955
Total Portugal	←	**14 149 485**	→	←		**11 468 388**		→
Spain								
Aboño	5 542 000	4 976 000	4 338 000	3 132 632	2 882 472	2 764 222	2 747 368	2 747 368
Soto de Ribera	3 404 000	3 057 000	2 666 000	2 018 097	1 640 580	1 455 772	1 419 409	1 408 297
Castejon	898 000	692 000	709 000	309 394	303 514	303 514	303 514	303 514
Eito	20 821	20 821	20 821	20 271	20 271	20 271	20 271	20 271
Sinova	59 884	59 884	59 884	52 906	52 906	52 906	52 906	52 906
Intever	63 995	63 995	63 995	29 833	29 833	29 833	29 833	29 833
Tercia	58 592	58 592	58 592	52 906	52 906	52 906	52 906	52 906
Sidergas	42 816	42 816	42 816	*				
Bioener	34 682	34 682	34 682	28 382	28 382	28 382	28 382	28 382
New entrant (Soto Rib)				328 941	322 690	322 690	322 690	322 690
New entrant (Castejon)				321 456	315 347	315 347	315 347	315 347
Total Spain	**10 124 790**	**9 005 790**	**7 993 790**	**6 294 819**	**5 648 901**	**5 345 843**	**5 292 626**	**5 281 514**
Total EDP	**23 993 485**	**22 874 485**	**21 862 485**	**17 763 207**	**17 117 289**	**16 814 231**	**16 761 014**	**16 749 902**

Note: Excluding new entrants in Portugal

* Enclosed attribution in the siderurgical sector

The EDP 2007-2010 Business Plan (pages 30 and 31) anticipates the hedging of the risks identified and also addresses these opportunities. It also includes the following goals:

- Progressive reduction in operating time of fuel-oil and diesel power stations in Portugal and plans for their rapid decommissioning (by 2012).
- Management of CO_2 needs by investing in carbon funds, undertaking CDM projects (a Kyoto Protocol mechanism) and possibly purchasing additional emission licences.
- Improvements in energy efficiency through the ECO Programme (see page 52), reduction in technical losses in distribution, promotion of micro-generation (MyEnergy Programme) and energy services and reduction of emissions from EDP vehicles

Our performance in climate change issues is described on page 46 of this report.

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3.4. Biodiversity

Biodiversity is a scarce resource that is essential to life. According to the Millennium Ecosystem Assessment, the loss of global biodiversity has been accelerating in the last 50 years due to human activities. The future is looking bleak, as the rate will remain the same or even speed up.

The international community has been reacting cautiously, but responses to this new global problem are expected to intensify in the next few years. The Convention on Biological Diversity set the goal of significantly reducing loss of biodiversity on a global, regional and national scale by 2010 as a way of reducing poverty and improving human well-being. The European Union has a more demanding goal of stopping loss of biodiversity by 2010.

At EDP, we keep a watchful eye on this issue, as the regions in which we operate are particularly sensitive. Brazil and the USA are part of the so-called megadiverse countries and the Iberian Peninsula has been designated a hot spot, i.e. on of the regions where climate change is expected to have most impact on biodiversity.

The risks to the company arise essentially from increasingly restrictive regulatory frameworks and a more demanding society seeking transparent processes and proven results. According to the latest Eurobarometer figures, 90% of people believe that loss of biodiversity is a serious problem. They are more concerned about global loss of biodiversity than that in their own countries.

Our activities have often inevitable impacts on biodiversity. Our work is therefore to study compensatory measures to offset these impacts. As owners or managers of thousands of hectares of land, we believe that biodiversity can also be a business opportunity in the management of this land. This is the road that we have chosen to travel from now on.

Our performance in this area is described on page 54

EDP's Profile and Strategies

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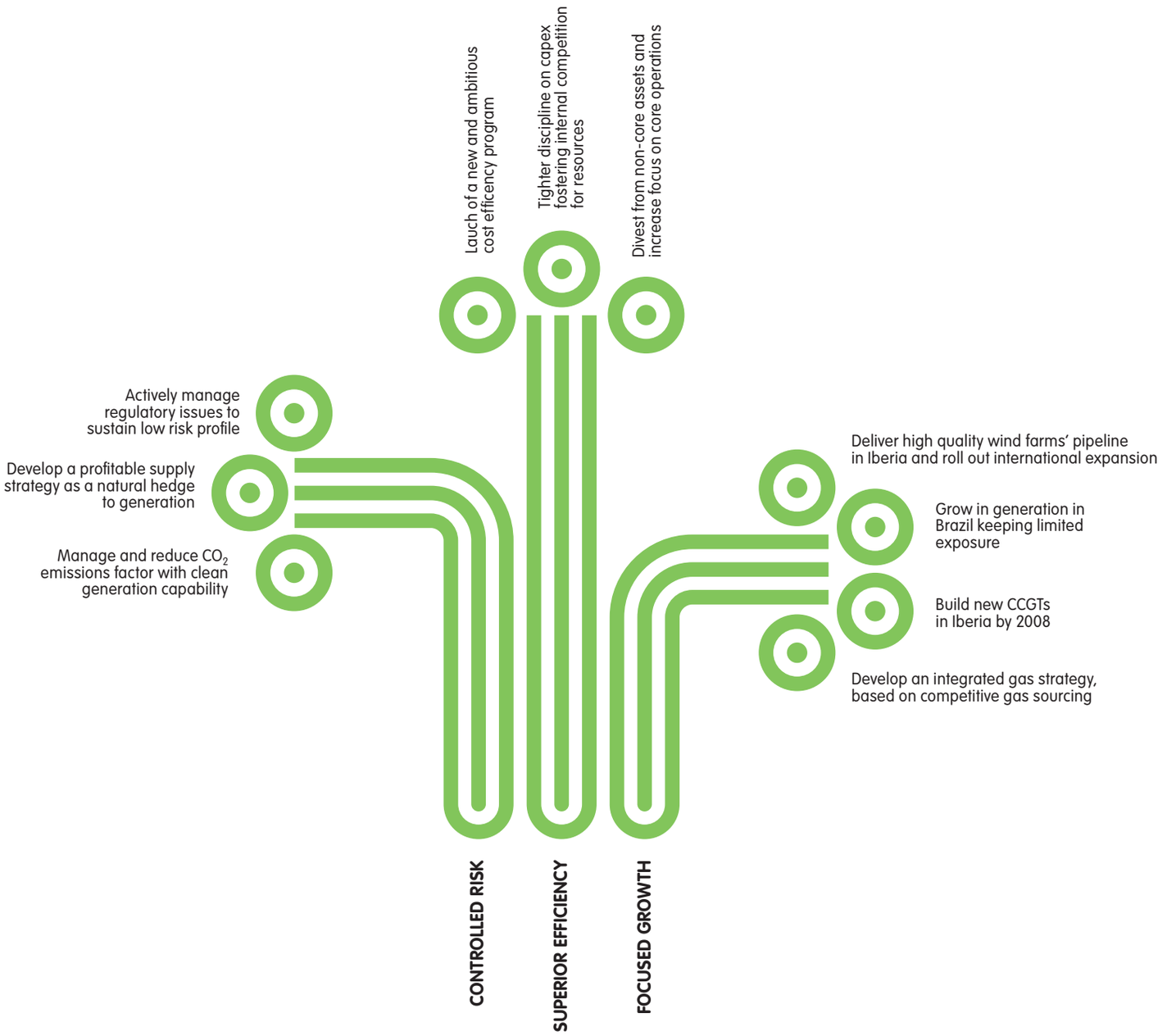
4. CORPORATE POLICIES AND STRATEGIES



EDP Strategy 2007 / 2010

4.1. EDP's strategic goals

- To reach 7.6 GW of installed capacity in wind farms by 2010;
- To achieve another 1,000 MW of installed capacity in hydroelectric plants in Portugal by 2015;
- To exceed 1,600 MW of installed capacity in hydroelectric plants in Brazil by 2015;
- To reach 165 MW of installed capacity in solar-energy and biomass power stations by 2010;
- To double installed capacity at combined-cycle power stations by 2012;
- To keep up an investment of EUR 10 million a year in R&D and innovation until 2010 ;
- To invest in environmental improvements to abide by the acidifying gas and particle emission caps imposed by the European Union;
- To improve quality of technical service reducing equivalent interruption time in Portugal to 140 minutes.

All these goals are ongoing and their achievement is described throughout this section.

4.2. A contribution to Sustainability

We are a company that provides an essential public service. We live in a society that depends on electricity to develop and improve its standards of comfort and this dependence is likely to increase in the future.

Although the regions in which we operate have different economic, social and environmental realities requiring specific local strategies, our values apply to them all and we believe that we can do our work in a way that is fair to society. Our Principles of Sustainable Development were published in 2004 and our contribution to sustainability has been visible in increasingly detailed information that we provide to our stakeholders via different channels of communication. We believe that this is how we will maintain a good reputation and our "social licence to operate".

A Sustainability and Environment Plan has been drawn up for biodiversity, environmental assessment, environmental responsibility and risk, energy efficiency, communication on sustainability and ethics and codes of conduct. The goals for 2008 are:

- To be included in the Dow Jones Sustainability Index;
- To obtain corporate ISO 14 001:2007 environmental certification;
- To set up the EDP Fund for biodiversity;
- To continue inventorying environmental responsibilities and risks in the Group until 2009;
- To identify, assess and implement new energy services to be provided to our customers;
- To improve communication on sustainability especially on the construction of new infrastructures;
- To implement and publish the EDP's new Code of Ethics.

EDP's Profile and Strategies

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4.3. Integrity

The commitments to integrity made by the EDP Group in its Principles of Sustainable Development are guaranteeing compliance with ethical standards in its business, respect for human rights in its sphere of inf uence and the drafting of specific codes of conduct whenever and wherever necessary.

In particular, the Corporate Governance and Sustainability Committee of the General Supervisory Board and the specific committees in the different business units play an important role in the definition and implementation of ethical principles and values and the monitoring of the Group's performance in this field.

Regulations were approved in early 2008 defining the duties, responsibilities and procedures for receiving and dealing with complaints about violations of the EDP Code of Ethics. As it is implemented over the year, ethics ombudsmen will be appointed in each of the countries in which the Group operates and the code and its regulations will be circulated to employees and suppliers.

One complaint was submitted in Spain and 44 in Brazil via the channels set up to receive complaints about possible ethics violations. In Brazil, eight of the complaints alleged discrimination, though none was confirmed. Portugal does not yet have a system for ascertaining the accuracy of this information.

4.4. Risk

In 2005, a corporate risk management policy was defined and a Risk Committee set up to improve the management of the risks arising from the group's business. In 2006, the Risk Portal was implemented as the most important corporate risk management tool in the whole EDP universe. It is a repository of the different companies' risks, making it possible to control them all appropriately. Mitigation measures are identified for each relevant risk and registered in the portal.

The group's main risks are listed by type, i.e. business, market, credit and operating. Detailed information is available in the chapter Risk Management (page 105) of the Institutional and Corporate Governance Report.

One of the business risks is the environmental risk arising from the impacts on the environment of energy generation and distribution, under the transposed environmental responsibility directive (Directive 2004/35/EC). The Group's environmental management is described in more detail on page 58 of the Sustainability Report.

The business risk in the Iberian Peninsula is also covered by the environmental responsibility directive, which has already been transposed in Spain. As required by the directive, financial guarantees will be given to cover environmental responsibilities as of 2010. The best ways of providing these guarantees are currently being examined.

4.5. Human resources

The diversity of the geographical regions in which EDP operates resulted in the design of a new Human Resources Organisation Model. The aim of this change is to ensure the implementation of common strategic processes that not only foster tacit and operational decentralisation but also ensure that EDP's values are universally applied.

The model harmonises processes used in performance appraisal, compensation policy, development of skills, career management, recruitment and training, ref ected in the Talent Project – Strategic Human Asset Management Plan (being implemented in all EDP Group companies worldwide).

The guidelines of the new model include:

- Developing an integrated human asset management information system for all Group employees in which eneRHgia covers assessment of potential and performance, fixed and variable compensation management, development of skills and training, recruitment and selection and career management.

- Promoting programmes for the development of high-potential young staff and coaching initiatives to ensure effective management of competences in the Group.

- Implementing a new performance based human resource strategic management process. Objectives (KPI) were defined and the jobs and skills described in the first phase for top management, though they will be broken down in cascade to the remaining EDP Group employees. Several working sessions were held to provide managers with the techniques and tools they need to assess their teams' performance. The main subjects covered were the analysis of discrepancies between work done and work expected, the construction of individual development plans and employee development.

The new model is based on a multinational structure. The idea is, with a common "strategic thought", to decentralise management of EDP employees while harmonising processes and maximising internal and inter-country synergies. EDP believes in a culture of meritocracy and intends to use this new management method to simplify organisation, standardise procedures, clarify communication and thereby increase the contribution of all to the results of its business.

There is more information on human resources on page 69 of this report.

4.6. Reputation

EDP's brand is one of the fundamental, strategic pillars of its reputation. It has considerable impacts on its intangible assets and embodies the fundamental values of the company's culture.

EDP's Foundations and the work they do for society also help to improve EDP's reputation, especially in specific groups such as underprivileged populations, children, young people, etc.

Recognition of these values has been described in this report and is demonstrated in satisfaction with the EDP brand, EDP's impact in the national and international media and the awards given to the company by society (page 90) .

According to a study by Millward Brown's Dynamic Tracking, EDP has a 100% awareness and is also the Portuguese brand with the highest spontaneous awareness.

EDP IN THE MEDIA

In a study by CISION, which assessed around 18,489 news items and gauged EDP's reputation, EDP's sustainability policy triggered highly positive information.

Of the 6,260 items considered (excluding references to share prices) in the study:

- 63% were favourable and dealt with social and environmental responsibility, renewable energies, internationalisation and institutional information.
- 23% were about balanced information (tariffs).
- 16% were unfavourable to the company. These items were essentially about services and electricity distribution.

4.7. Innovation

As innovation is so important to the EDP Group, the company's organisation was reassessed in this regard. In 2007 EDP Inovação played an important role in the pursuit of EDP's strategic priorities and the coordination of business units' initiatives in order to develop the most interesting schemes and ensure their use by all Group companies.

The year also witnessed the introduction of a new management model involving an Innovation Committee which defines strategic lines of action, analyses innovation projects in the portfolio and decides on priorities.

R&D and innovation projects undertaken in 2007 are analysed in more detail on page 42 of this report and the Research, Development and Innovation chapter in the Institutional Report.

SUSTAINABILITY REPORT

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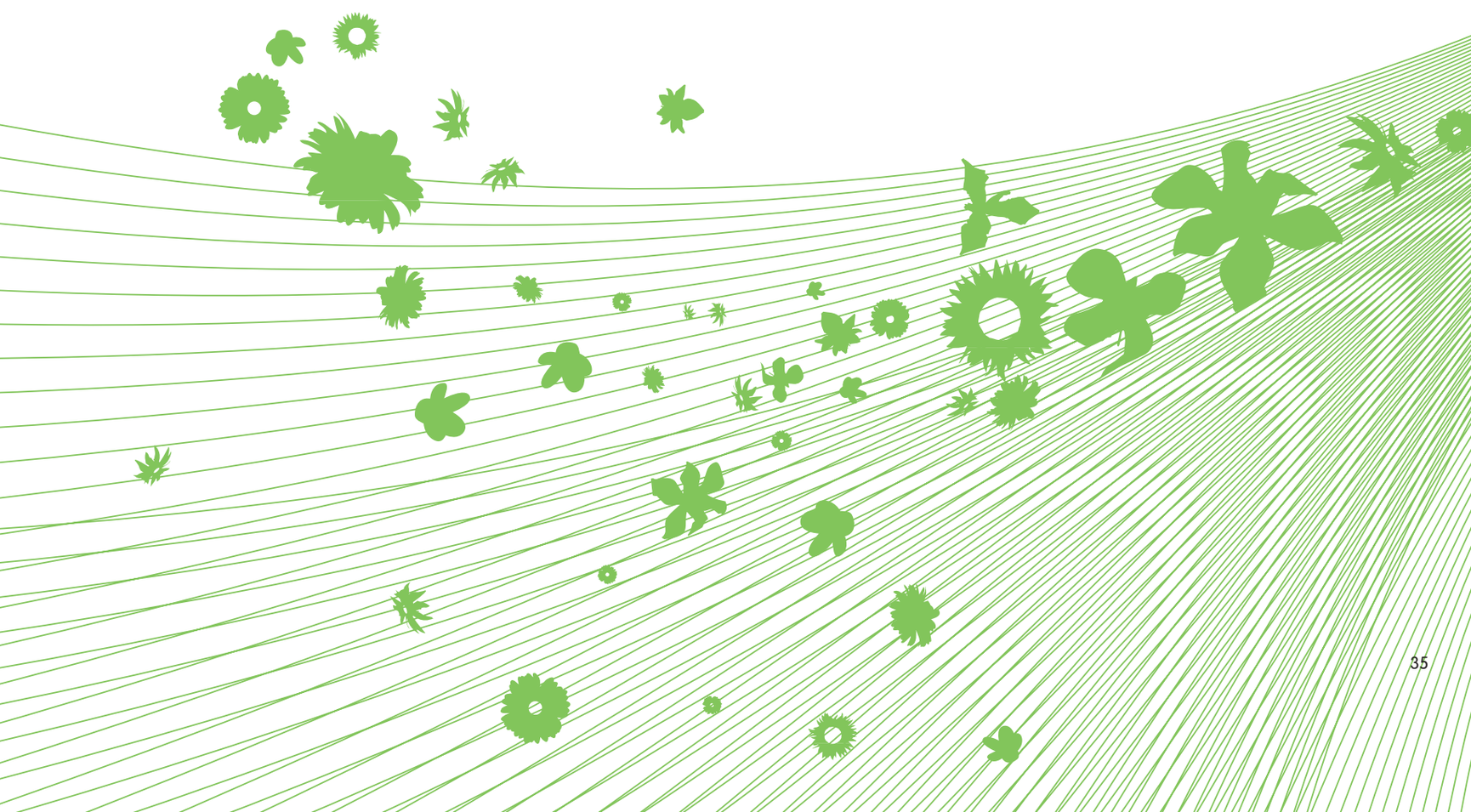
Economic Overview



Economic Overview

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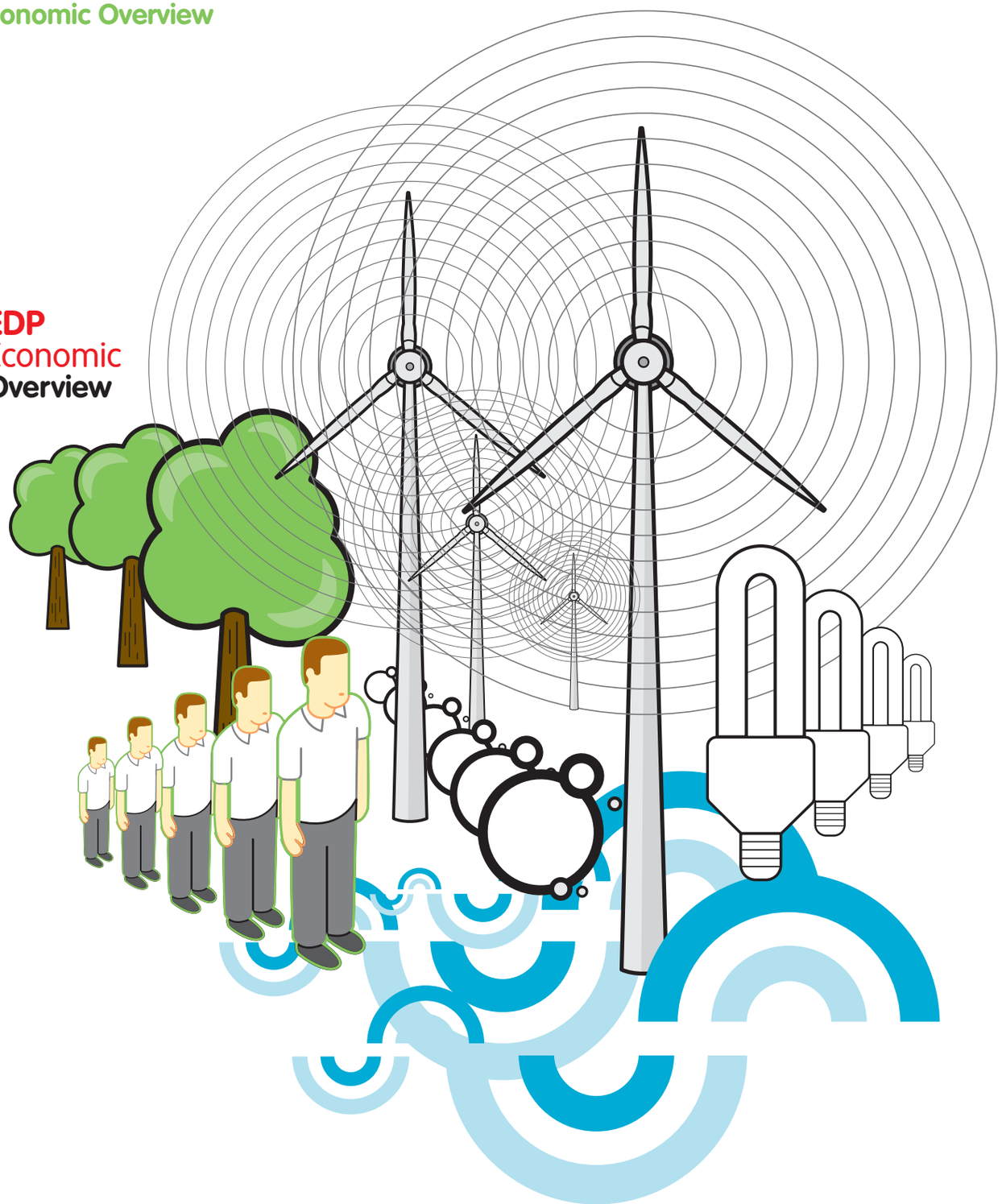
EDP Economic Overview



1. SUSTAINABLE GROWTH

One of our commitments in the creation of value in the next five years is investment in renewable energies in order to consolidate our position as leaders in this sector. In 2007, wind and hydroelectric assets represented around 60% of our total investment.

On acquiring Horizon Wind Energy LLC in March 2007, EDP became the world's fourth largest company in the wind sector.

In order to extend the hydroelectric component we embarked on a new, ambitious investment plan totalling EUR 856 million for 2012-2013. The table below breaks down this investment.

Investment in Hydroelectric Power for the 2012-2013 Period

Hydroelectric power stations	(EUR million)	Status
Picote	135	Increasing capacity
Bemposta II	130	Increasing capacity
Alqueva II	150	Increasing capacity
Ribeiradio/Ermida	72	New power station
Baixo-Sabor	369	New power station

EDP also acquired 20% of Pebble Hydro – Consultoria, Investimentos e Serviços for EUR 35.6 million. This company owns 11 mini-hydroelectric power stations with an installed special-regime capacity of 89.1 MW with operating licences that expire in 2025 and 2040. For 2008, based on a year of average rainfall, EDP estimates that Pebble Hydro will achieve EBITDA of close to EUR 19 million.

In the gas sector, with a view to establishing an integrated strategy for natural gas and the construction of new natural-gas combined-cycle power stations in the Iberian Peninsula, EDP reached an understanding with Sonatrach, S.A., the Algerian natural gas supplier, on the signing of an agreement in principle on a possible corporate partnership for certain areas of the natural gas and electricity generation business. In May 2007, EDP increased its shareholding in Naturgas by another 9.39%, purchased from Gás Natural SGD, in order to cement its position as a leading, integrated energy operator in the Basque Country.

EDP continued its policy of selling non-strategic assets, which included the sale of electricity transmission assets that it owned in the Valencia region and 5% of REN to that company.

A strategic partnership was formed at the close of 2007 for investment in a coal-burning thermoelectric unit in Ceará, to reinforce growth in generation in Brazil while maintaining limited exposure. This power station, UTE Porto de Pecém, will have an installed capacity of 720 MW and should go into production in early 2012. An agreement was signed in April regarding the acquisition of electricity generation rights for the construction of another thermoelectric power station using imported mineral coal.

2. FINANCIAL REPORT

In 2007, EDP's turnover totalled EUR 11.011 billion, which is 6.4% higher than in 2006. The contribution by EDP's turnover to the gross domestic product (GDPmp) in 2007 increased 0.1 p.p. against 2006 to 6.8%.

Compared to the previous year, operating investment rose by around 85.4% to approximately 2.7 billion, ref ecting the consolidation of Horizon and a 53% increase in investment in the generation and distribution of energy in Portugal and Spain.

The EDP Group's net profit was EUR 907 million, 3.6% lower than in 2006. Several non-current factors contributed to this drop, particularly the increase in cost of debt and the sale of shareholding 2006.

The most important business indicators are given on page 12, Key Sustainability Indicators. Please refer to the Financial Report for more detail.

Economic Overview

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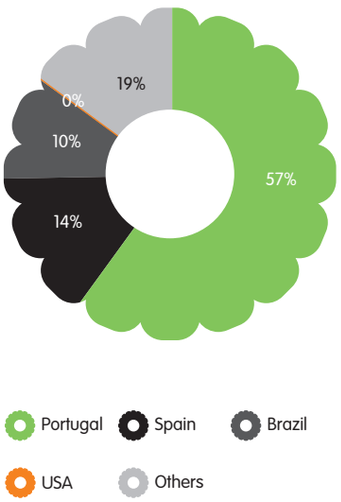
Turnover by region in 2007



3. REGULATED MARKET

In the Iberian Peninsula, in 2007 the MIBEL (Iberian Electricity Market) went into full operation, resulting in an agreement between Portugal and Spain, the Regulatory Compatibility Plan, which lays down a substantial number of amendments to Portuguese and Spanish regulations on the sector.

In order to implement the MIBEL, PPAs (power purchase agreements) were terminated early in Portugal. By law, on termination of these agreements, a mechanism came into effect to maintain the contractual balance, which is neutral for generators, called costs of maintenance of contractual equilibrium (CMECs). These costs are recognised in the tariff for overall use of the system, i.e. they are borne by all customers in Portugal, regardless of whether their electricity is supplied by a free or regulated market.

Also in 2007, electricity distribution was separated from other unrelated activities. As laid down by law, a company was set up as supplier of last resort. It is subject to special regulations and its job is to guarantee electricity to customers that do not contract their supply from the market supplier. Its prices are fixed by the ERSE.

Another of the changes made to the regulated market was the introduction of the obligation on the part of suppliers of last resort in both countries to purchase the energy needed at the end user's price via medium/long-term platforms. It was therefore decided that suppliers of last resort must buy a part of the energy from the Portuguese branch of the Iberian Market Operator (OMIP) and also, for example, at Iberian bilateral auctions called CESUR.

As a result of recent regulatory requirements, all MV, HV and EHV customers in Portugal now have tele-management and telemetering technology and we have continued to work on telemetering for NLV (normal low voltage). Four hundred facilities have already been adapted.

In Spain, the regulations have required the installation of electronic meters for all new supply points with a contracted power of up to 15 kW (domestic consumers and small companies) since July 2007, totalling around 25 million supply points.

In the gas sector, the consolidation of the EDP Gás business unit in 2007 resulted in a vertical view of the business in the Iberian Peninsula. This reorganisation will make the most of resident know-how in each subsidiary and prepare EDP for the opening of the gas market to all customers, which will leave them free to choose their gas supplier.

4. ECONOMIC IMPACTS

Throughout the value chain, EDP has direct impacts on its employees, suppliers, customers, investors and the community resulting from direct monetary transactions through the circulation of currency and the added productivity of its products. The table below shows the different impacts.

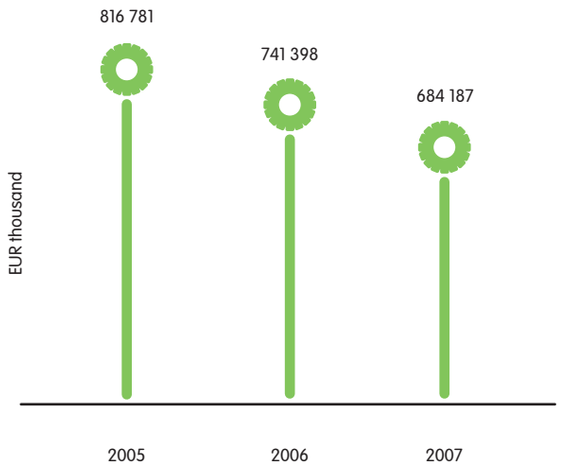
Accumulated Economic Value (*)

EDP Group
Unit: EUR thousand

	2007	2006	Var(%)
Direct Generated Economic Value	10 751 229	10 392 596	3.5
Turnover	11 010 778	10 349 826	6.4
Gains/(losses) from the sale of financial assets	262 561	4 818	5 349.2
Financial income/(expenses)	-545 818	-207 377	163.2
Share of profit of associates	23 708	245 329	-90.3
Distributed Economic Value	9 450 451	9 096 790	3.9
Direct costs with generation	6 456 910	6 191 372	4.3
Suppliers (SS)	684 187	741 398	-7.7
Employees	866 333	747 374	15.9
Personnel costs	576 963	585 086	-1.4
Employee bonuses	29 557	28 200	4.8
Costs with social benefits	289 370	162 287	78.3
Other operating costs	375 074	364 233	3.0
Community work under consolidated accounts			
Donations	326	261	25.1
Sponsorships	5 840	4 651	25.6
Donations in kind	2 067	1 160	78.1
Other costs	1 067 946	1 052 414	1.5
Accumulated Economic Value	800 643	618 397	29.5
Profit before tax	1 300 779	1 295 806	0.4
Awarded to Foundations	9 569	10 904	-12.2
Community work under Foundations (*)	4 397	3 631	21.1
Returned to the community (taxes)	88 348	300 905	-70.6
Investors (dividends)	402 219	365 600	10.0

(*) Including donations and sponsorships

Supplies and services (EUR 1,000)



Distribution of supplies and services by region in 2007 (EUR thousand)

SS	2007
Portugal	725
Spain	165
Brazil	154
USA	9
Others	-396

4.1. Suppliers

In support of its operations and investment plan, EDP spent around EUR 684,000 on the purchase of goods and services in 2007, which is 7.7% less than in 2006. These purchases were made under the Synergie management system (see page 84).

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4.2. Employees

In accordance with criteria defined at a General Meeting of Shareholders, the company's profit was once again shared with its employees in the form of a performance-based bonus. This operation took up EUR 29.6 million, 4.8% more than in 2006.

Social benefit costs rose 78.3% against 2006, reaching EUR 289 million. This increase was 75.8 p.p. higher than the average annual price variation rate. Around 19% corresponded to costs with medical care plans and other benefits.

4.3. Customers

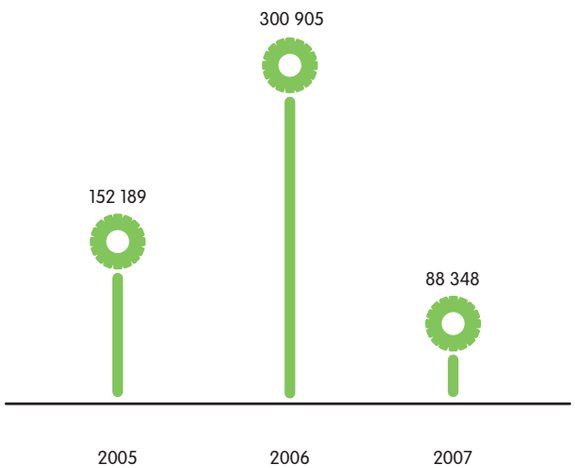
In 2007, there was an 18.4% rise in revenue from the supply of energy to customers to EUR 1.962 billion. This was due mainly to a 35.1% rise in electricity sales.

4.4. The community

Our activities create value. Part of this value is returned to the community in the form of taxation, social benefits for our employees (see Employees above), donations and sponsorships.

In 2007, EDP contributed around EUR 88 million to the community in the form of tax.

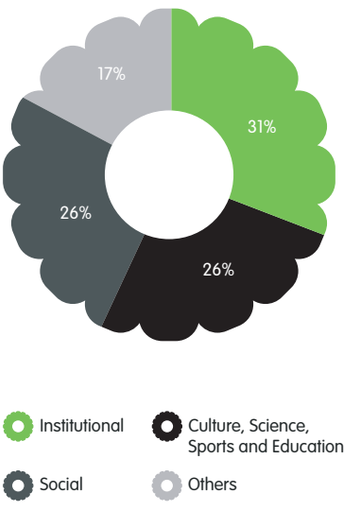
Corporate income tax (EUR 1,000)



Donations and Sponsorships

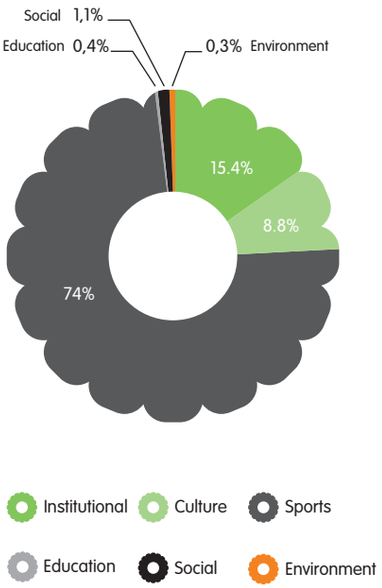
In 2007 the EDP Group gave around EUR 326,000 in the form of donations. This is 25% higher than in 2006 and corresponded to around 12% of EDP's operating investment.

EDP Group donations by area



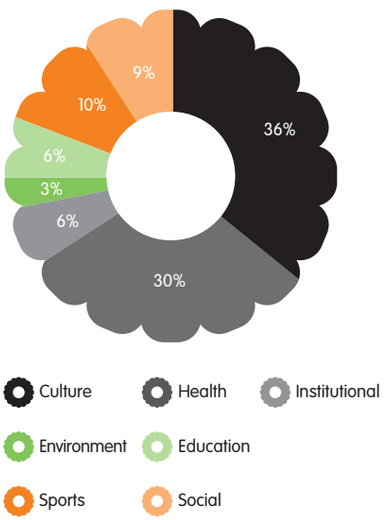
Around EUR 5.8 million was invested to sponsor third-party initiatives in 2007, which is about 26% more than in the previous year. The main areas were sport, support for institutions and culture.

EDP Group sponsorships by area



As part of its Foundations' activities, in 2007 EDP contributed around EUR 4,397,000, some 21% more than in 2006. Of this amount, 75% went initiatives in Portugal and the rest to Spain. A total of BRR 7,895,000 went to donations and sponsorships by our new institute in Brazil in 2007.

Foundations' donations and sponsorships by area



4.5. Investors

For more detailed information please refer to the shareholder section (page 82).

5. ENVIRONMENTAL EXPENDITURE

In 2007 we continued to introduce the EDP Group's environmental accounting system for Portugal, which automatically calculates the companies' environmental financial information.

EDP spent EUR 158,000 on environmental protection measure, which is 3.4% less than in 2006. Around EUR 143,000 represent environmental costs recognised as assets in the financial year, while the remainder was recognised as costs.

Environmental costs of protecting the air and climate are the most representative (around 76.5%) as a result of environmental investments between 2007 and 2010 to the amount of EUR 541.5 million in desulphurisation and denitrification processes at the Aboño and Soto power stations and co-combustion of biomass at Aboño.

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Environmental Expenses Capitalised in the Period (EUR thousand)

	2007	2006	var(%)
Air and climate protection	119 556	117 213	2.0
Waste water management	43	308	-86.1
Waste management	2 627	2 178	20.6
Protection and recovery of soil, groundwater and surface water	8 568	1 675	411.6
Noise and vibration abatement	530	16	3 173.5
Protection of biodiversity and landscape	8 238	16 308	-49.5
Electromagnetic radiation management	0	0	-
Environmental research and development	862	0	-
Other environmental management and protection activities	2 286	12 747	-82.1
Subtotal	142 712	150 444	-5.1

Environmental Expenses Recognised as Profit in the Period (EUR thousand)

	2007	2006	var(%)
Air and climate protection	1 224	1 157	5.9
Waste water management	1 303	761	71.3
Waste management	3 123	2 702	15.6
Protection and recovery of soil, groundwater and surface water	721	1 358	-46.9
Noise and vibration abatement	263	1 055	-75.1
Protection of biodiversity and landscape	696	527	32.1
Electromagnetic radiation management	54	40	36.1
Environmental research and development	136	10	1 282.4
Other environmental management and protection activities	7 717	5 418	42.4
Subtotal	15 239	13 027	17.0
Total	157 950	16 3471	3.4

6. RESEARCH AND DEVELOPMENT AND INNOVATION

R&D activities focus on the company's main businesses. The main areas in 2007 were renewable energies, new technologies and micro-generation, conventional generation and environmental impact reduction, electricity distribution grids and processes and information systems and in-house circulation of knowledge to EDP employees.

Around EUR 13 million were invested in different projects.

Research and Development expenditure (euros)

	2007
Capitalised environmental expenses	862 463
Non-environmental capitalised expenses	111 395
Subtotal	973 858
Environmental expenses assigned to profit and loss account	136 362
Non-environmental expenses assigned to profit and loss account	12 195 757
Subtotal	12 332 119
Total	13 305 977

The main projects in 2007 were as follows:

RENEWABLE ENERGIES, NEW TECHNOLOGIES AND MICRO-GENERATION

Berlengas – a project demonstrating renewable energies on islands using different sources in order to make the Berlengas Islands self-sufficient in terms of electricity, in which EDP Inovação is responsible for the energy component;

EDEN (Endogenising the Development of New Technologies) – a project to further knowledge of fuel-cell technologies and the use of hydrogen and other fuels like natural gas or biogas in electrochemical conversion to generate electricity with high efficiency and environmental performance, to be completed in 2008;

Electrical Micro-Grid Management and Control System – installation of two thermoelectric co-generation micro-technologies and a photovoltaic system to meet the power needs of Fundación Vasca para el Desarrollo de Tecnologías Energéticas.

CONVENTIONAL GENERATION AND ENVIRONMENTAL IMPACT REDUCTION

CO_2 capture and storage project – Hidrocantábrico membership of Spanish institutions, including the Spanish Technological CO_2 Platform and Spanish CO_2 Association in order to identify possible CO_2 storage and make the necessary amendments to the law so that CO_2 capture and storage is a common practice by 2020;

NANOGLOWA (Nanomembranes against Global Warming) – a five-year project for the capture of CO_2 emitted by thermoelectric fossil-fuel power stations involving the study and industrial use of nanomembranes to separate the gases they emit and the installation of demonstration prototypes at thermal power stations, including Sines.

DISTRIBUTION GRIDS

INOVGRID – a project aimed at setting up a new, intelligent electricity distribution system to meet new challenges facing the distribution grid, such as the introduction of new functions in the area of tele-management and micro-generation, as the introduction of intelligence at different levels in the distribution grid will improve efficiency, and energy supply quality and contribute to energy efficiency;

CTEYE – a project to study the technical limitations on remote control equipment in order to anticipate and detect faults at transformation centres using intensity curve registers measured at low voltage and implement new fuse action detection algorithms;

Hybrid natural gas/hydrogen network – a project aimed at analysing the feasibility of distributing mixtures of natural gas and hydrogen in the existing infrastructure.

PROCESSES AND INFORMATION SYSTEMS AND IN-HOUSE CIRCULATION OF KNOWLEDGE TO EDP EMPLOYEES

WIKIPEDP- an innovative project in which Wikipedia has been adapted and placed at the disposal of EDP Group employees in order to stimulate technological knowledge;

Revenue Assurance – a project designed to recover revenue through more efficient processes from reading to billing and reducing supply and technical losses.

INNOVATION

Testos Wind Farm – an innovative project using concrete towers, «which applied to join the System of Corporate Research and Development Tax Incentives in 2007, costing around EUR 11 million.

More information on ongoing R&D projects is available on www.edp.pt > Sustainability> R&D

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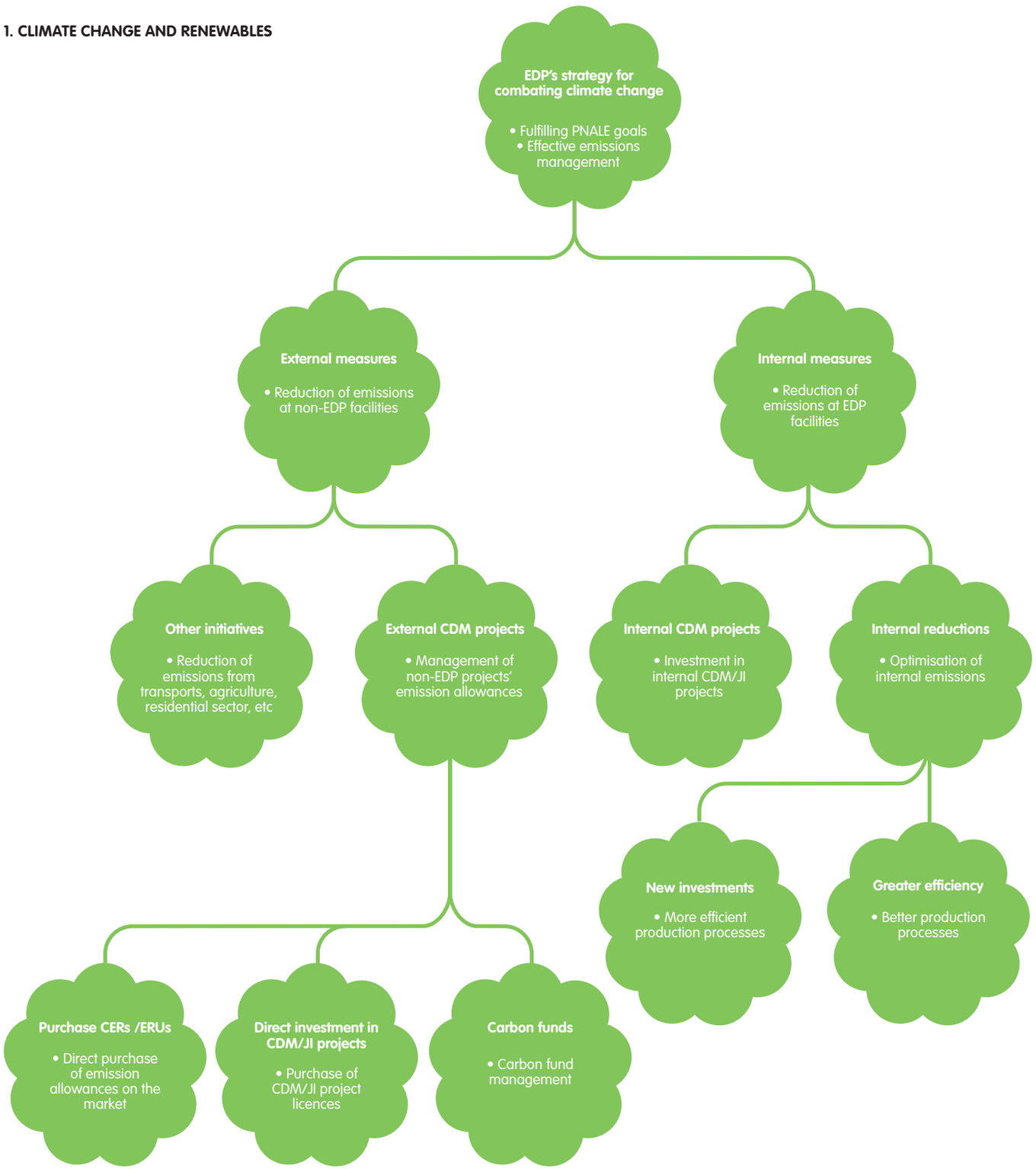
1. CLIMATE CHANGE AND RENEWABLES



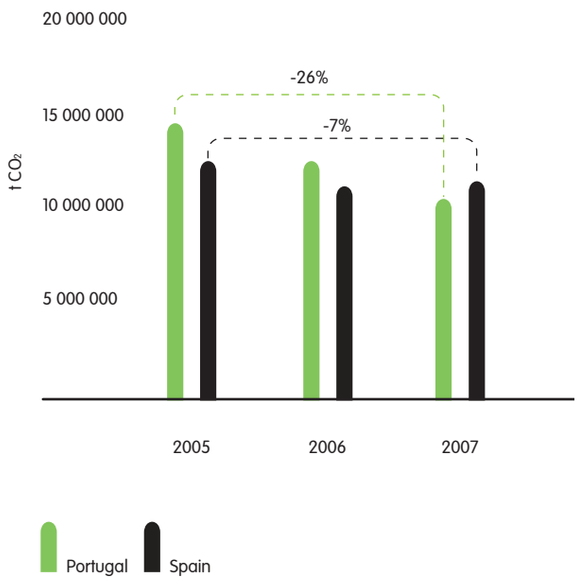
1.1. Greenhouse gas emissions

The table below shows the performance of the EDP Group's power stations in terms of GHG emissions and compares real quantities of emissions to those allocated under the ETS.

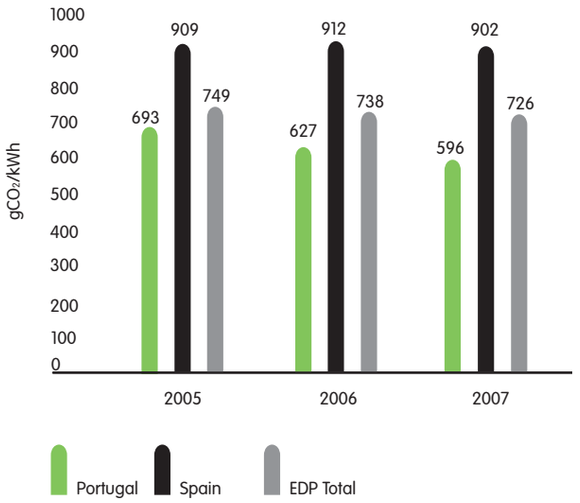
Although emissions rose slightly in Spain, the overall result went down by about 1.1 Mt CO_2 (-4%) against 2006, in line with EDP's strategy.

With regard to specific emissions from thermoelectric power stations, the 726 gCO_2/kWh achieved in 2007 reflects a trend towards a sustainable reduction in this indicator. The target is to reduce these emissions by around 35% by 2010 against 2006.

EDP CO_2 Emissions (Portugal and Spain)



Specific CO_2 emissions (thermoelectric power stations)



Considering total facilities and our production mix, overall specific emissions in 2007 totalled 457 gCO_2/kWh, as opposed to 484 gCO_2/kWh in 2006, representing a reduction of around 6%.

EDP Fleet vehicles

In Portugal, we reduced energy consumption in our fleet of vehicles by about 7 TJ and CO_2 emissions by around 500 tonnes compared to 2006. In Brazil, in spite of a slight rise in these indicators, we were able to reduce specific energy consumption (kJ/km) by about 3%.

Our fleet renewal policy contributed substantially to these results and older vehicles were progressively replaced by new, more efficient ones, including hybrids. Use of alcohol, a fuel with a low emission factor, also increased in companies operating in Brazil.

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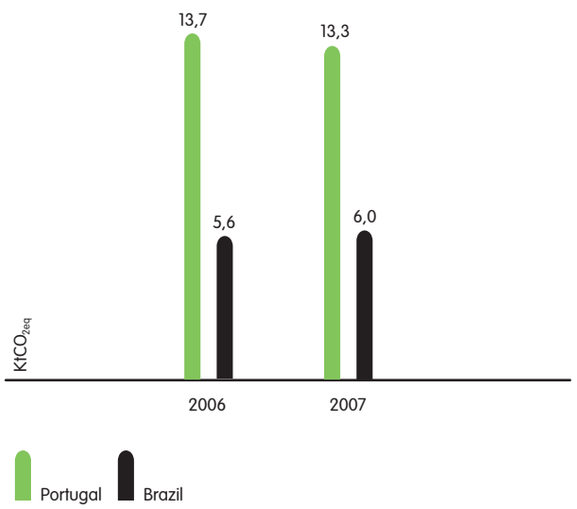
Consumption of CO_2 emisiion allowances by EDP Group power stations, from 2005-2007

	2007		2006		2005		
	Allocated	Emissions	Allocated	Emissions	Allocated	Emissions	Variation 07-06
Portugal							
Carregado	1 088 575	167 263	1 088 575	188 611	1 088 575	936 365	-11%
Setúbal	2 505 210	764 835	2 505 210	973 507	2 505 210	2 730 062	-21%
Sines	7 837 380	7 180 123	7 837 380	8 730 335	7 837 380	8 596 172	-18%
Barreiro	253 048	261 690	253 048	291 651	253 048	347 958	-10%
Tunes	5 000	463	5 000	1 224	5 000	17 619	-62%
Ribatejo	2 019 570	2 176 170	2 019 570	2 065 449	2 019 570	1 825 360	5%
Mortágua	1 510	655	1 510	1 726	1 510	1 730	-62%
Soporgen	239 942	244 480	239 942	240 139	239 942	232 418	2%
Energin	199 250	212 065	199 250	207 945	199 250	193 404	2%
Total Portugal	**14 149 485**	**11 007 744**	**14 149 485**	**12 700 587**	**14 149 485**	**14 881 088**	**-13%**
Espanha							
Aboño	4 338 000	7 898 487	4 976 000	6 960 496	5 542 000	7 949 095	13%
Soto de Ribera	2 666 000	3 362 870	3 057 000	3 751 871	3 404 000	4 198 463	-10%
Castejon	709 000	665 581	692 000	635 370	898 000	770 819	5%
Cogerações	280 790	487 425	280 790	427 906	280 790	418 224	14%
Total Espanha	**7 993 790**	**12 414 363**	**9 005 790**	**11 775 643**	**10 124 790**	**13 336 601**	**5%**
Total EDP	**22 143 275**	**23 422 106**	**23 155 275**	**24 476 230**	**24 274 275**	**28 217 689**	**-4%**

Note: Emissions from co-generation in Spain, in 2005, were estimated

CO_2 emissions by vehicles (Portugal and Brazil)



An Intelligent Driving System was implemented in Brazil.
An on-board computer monitors the vehicle in order to improve efficient use and thus reduce fuel consumption.

Use of Vehicles from EDP's fleet

	2007	2006
Portugal		
Total vehicles	2 709	2 827
Distance travelled (km)	60 897 766	63 311 058
Energy use (TJ)	179,96	186,82
CO_2 emissions (kt)	13,26	13,75
Brazil [1]		
Total vehicles	962	1 043
Distance travelled (km)	20 239 318	18 322 866
Energy use (TJ)	84,89	78,98
CO_2 emissions (kt)	6,03	5,64

Note: On the date of closing of this section, this information had not yet been calculated for Spain. We hope to be able to report this consolidated information in 2008.

1.2. Clean Development Mechanism Projects

Pursuant to its CO_2 reduction strategy, in recent years EDP has taken a leading role in Brazil in implementing the CDM – Clean Development Mechanism provided for in the Kyoto Protocol.

At the close of 2007, three CDM projects had been approved by the Brazilian government's Inter-ministerial Global Climate Change Committee (CIMGC):

- São João Small Hydroelectric Power Station (PCH) (25 MW) in the state of Espírito Santo;
- Fourth machine at the Mascarenhas Power Station (50 MW) in the state of Espírito Santo;
- Paraíso Small Hydroelectric Power Station (21.6 MW) in the state of Mato Grosso do Sul.

The Paraíso Small Hydroelectric Power Station is registered with the UN Executive Board (early 2008) and will be able to begin issuing CERs (Certified Emission Reductions). The other two are in the evaluation stage prior to registration. In 2007, we continued an innovative CDM Project for the Porto Murtinho – Jardim Transmission Line in Mato Grosso do Sul, which has already been validated and is under scrutiny by the CIMGC. The implementation of this line will obviate the construction of a thermoelectric power station, with the resulting environmental impacts.

We also began preparing the PDD (Project Design Document) for the Santa Fé PCH (29 MW), in Espírito Santo, which should be submitted to the CIMGC n the first quarter of 2008.

These five projects will be able to avoid the generation of 900,000 tonnes of CO_2 in the first period of compliance with the Kyoto Protocol (2008-2012) and some 1.4 million tonnes of CO_2 for the duration of their useful life.

The latest, ongoing CDM projects consist of a package of three increases in power at power stations in Espírito Santo: Suíça, Rio Bonito and Mascarenhas, the PDD of which is currently being prepared.

1.3. Other CO_2 management initiatives

In order to diversify risk and make full use of the alternatives set forth in the Kyoto Protocol, in 2007 EDP signed emissions reduction purchase agreements (ERPAs) resulting from CDM projects with several entities, including Energias do Brasil, which owns the above-mentioned Mascarenhas and São João hydroelectric power stations.

EDP also participated in the voluntary carbon credit market in Brazil and generated around 130,000 tonnes of VERs – Verified Emission Reductions. Some of these VERs were redeemed to neutralise Group events while the rest were traded.

Where carbon funds are concerned, the EDP Group has continued to monitor and seek new investment opportunities always with a view to diversifying its technologies and geographical locations. As a complement to the Group's strategy, we also purchased emission credits with guaranteed delivery on the forward market to a total value of EUR 45 million payable between 2008 and 2012.

Continuing EDP's CO_2 capture project by developing natural agro-forestry stores developed by Terraprima, around 12,450 tonnes of CO_{2eq} were captured in 2006 and 2007

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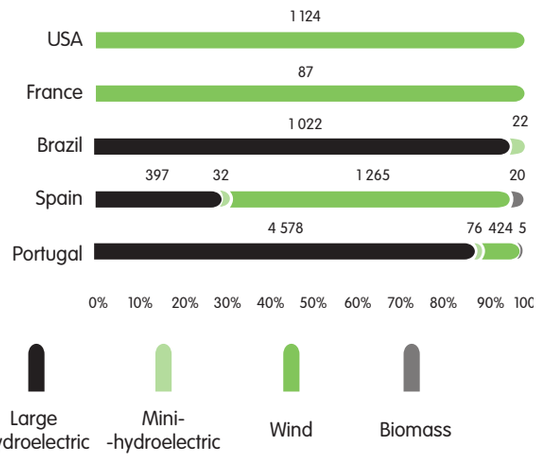
1.4. Renewable Energies

At the close of 2007, 58.9% of the EDP Group's installed capacity was of renewable origin.

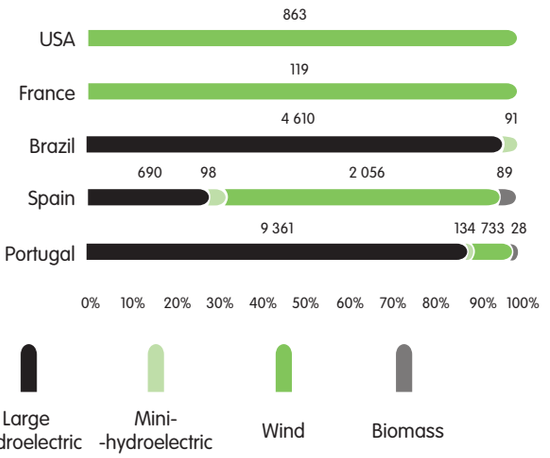
Installed capacity in operation (MW)



The addition of around 275 MW of hydroelectric power against 2006 was the result of to the consolidation of the Alqueva (240 MW) and Pedrógão (10 MW) hydroelectric power stations in Portugal and the entry into service of the small São João Hydroelectric Power Station in Espírito Santo, Brazil (25 MW).

In 2007, net electricity generated from renewable energy sources totalled 18,873 GWh, around 39.8% of the Group's total generation.

Electricity Generation from Renewable Energy Sources (GWh)



There was a 7.5% reduction in hydroelectric generation to 9,495 GWh in Portugal due to a less favourable hydrologic year with a hydroelectric energy capability factor (HECF) of 0.76, much lower than in 2006 (0.98).

Hydroelectric generation in Spain reached 788 GWh, which accounted for around 5% of EDP's net generation in Spain, and was 60 GWh less than in 2006. This reduction was the result of an HECF of 0.65, 0.15 lower than in 2006.

On the other hand, in Brazil 18% more energy was generated than in 2006.

The EDP Group's wind power generation was reorganised and EDP Renováveis was set up in late 2007, bringing together all the Group companies operating in the renewables area (see organisation chart on page 20). In Europe today, our wind farms are located in Portugal, Spain, France, Belgium and, more recently Poland and we have a portfolio of projects totalling 1,022 MW in different stages of development.

On acquiring Horizon Wind Energy in the USA, EDP became the fourth largest world player in the renewable energy sector with 3,639 gross MW installed capacity in operation by the end of 2007.

Sales of electricity from wind farms totalled 3,772 GWh, 96% more than in 2006.

Growth prospects

In 2008 in Portugal, the reinforcement of power will continue at the hydroelectric power stations in Picote (246 MW in 2011), Bemposta (191 MW in 2011), Ribeiradio/Ermida (41 MW in 2013) and Alqueva (240 MW in 2012), and we hope to begin construction of the Baixo Sabor hydroelectric power station (170 MW in 2013).

We are also currently remodelling, building and acquiring mini-hydroelectric power stations, including the recovery of ecological f ows in Alto Lindoso, which is now in the licensing phase, with an expected power of 2.95 MW.

EDP also has in its portfolio plans to reinforce hydroelectric power by a total of 918 MW, which should be operational by 2015, and a pre-emptive right to build the Foz Tua Power Station (234 MW, awaiting confirmation by an EIA).

In Brazil, the Santa-Fé hydroelectric power station is expected to go into operation in 2008, with an installed capacity of 29 MW.

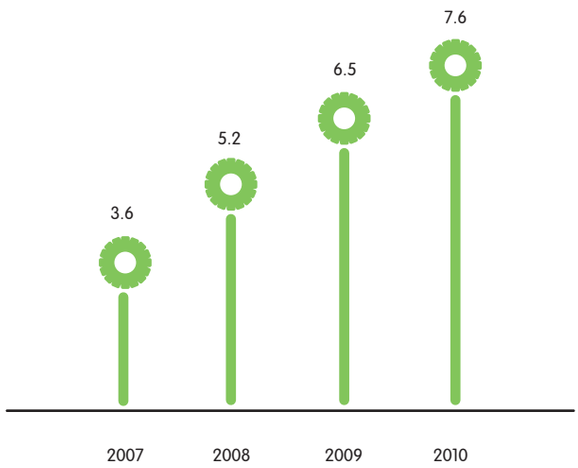
A concession of 538 MW for 24 mini-hydroelectric power stations by the Brazilian regulator is currently under development and feasibility studies will most likely be conducted for the construction of 12 hydroelectric power plants totalling 1,022 MW.

Where **biomass** is concerned, EDP currently has a substantial number of projects under way in Portugal to increase the capacity of power stations using forest waste. A special mention must go to the Constância (12.1 MW) and Leirosa/Figueira da Foz (27.6 MW) power stations, which are already under construction.

The company continues to be strongly committed to **wind** power. More than twice the gross installed capacity in 2007 is expected to go into operation by 2010, as shown in the graph below.

Finally, EDP is developing a **solar thermoelectric** project, Andasol III, with 50 MW, in the Granada area in Spain. Building should begin in 2008.

Expected growth in EDP's wind farms by 2010



1.5. Energy efficiency

We consider energy efficiency to be one of the factors that can contribute most to the sustainability of the energy sector and so we have been paying special attention to this aspect.

1.5.1. Supply management

Where energy supply is concerned, in addition to our strong commitment to renewable energy sources, we have continued to invest in natural gas combined cycle power stations (CCGTs), which is currently the cleanest and most efficient conventional thermoelectric conversion technology.

In Portugal, we began building the first group at the Lares CCGT (Figueira da Foz), which should go online in 2009. In Spain, we completed the second group at the Castejon Power Station, with 408 MW, which will be go into operation in early 2008.

The entry of these new groups will not only improve the overall output of our thermoelectric facilities but also help reduce specific CO_2 emissions in the Iberian Peninsula.

Primary energy consumption associated with generation (260,887 TJ) is showing a downward trend in the use of fossil fuels with a slight reduction of around 4% from 2006 to 2007 (but 16% from 2005 to 2007). This result is particularly telling when we consider that it was not possible to use the installed hydroelectric capacity in the Iberian Peninsula as intensively as in 2006, due to lower rainfall.

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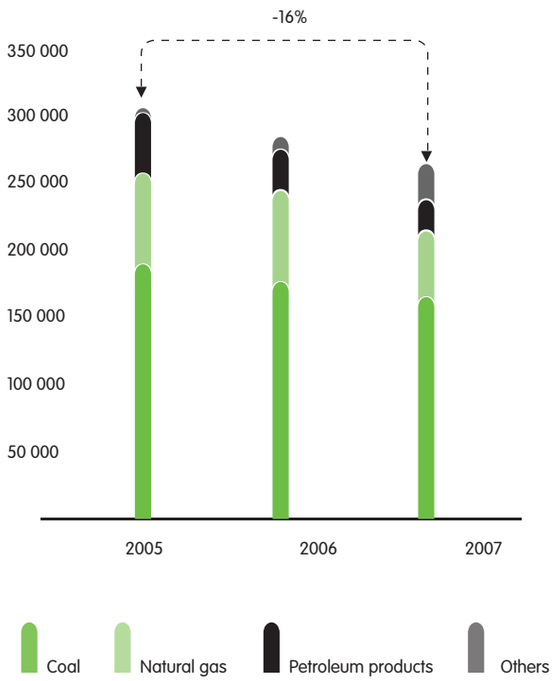
Fuel consumption in the EDP Group (TJ)



N.B. "Other" includes forest waste and coke gases from blast furnaces and steelworks.

There was also a sharp reduction in consumption of oil derivatives, which began in 2006 and will last until 2012, as diesel- and fuel-oil-burning thermoelectric power stations are progressively decommissioned: Tunes in 2010, Barreiro by 2010, Carregado by 2012 and Setúbal in 2010.

1.5.2. Demand management

The launch of the ECO Programme in Portugal in January 2007, aimed at promoting greater efficiency in the final use of energy, was the main milestone in EDP's activities in this area.

eco programa de eficiência energética edp

It is an integrated programme of initiatives to encourage and help consumers to adopt more efficient energy habits. The most important actions are:

- Mass media campaigns, especially "The world is in our hands", which began in January 2007 and publicised EDP's position as a company of reference in Portugal in the dissemination and promotion of energy efficiency and the fight against climate change.
- Creation of the online ECO Website providing a vast selection of information and advice on energy efficiency (www.eco.edp.pt).
- Monitoring energy use by preparing an Energy Efficiency Barometer (see page 78).
- Econnosco Programme, an initiative for EDP employees with the slogan "We follow our own advice". The programme involves a reduction in electricity and water consumption in EDP's office buildings (in Portugal in the first stage), waste management and the creation of a Sustainability Ambassador – a volunteer employee who encourages sustainability measures in his/her workplace.
- All action taken under the Energy Efficiency Plan, PPEC, promoted by the ERSE (see box).

For 2008, EDP received ERSE approval for the implementation of 11 measures representing funding of 53% of the total available. These measures, plus those in the PPEC 2007, will lead to energy savings of around 1 TWh and around 400,000 tonnes of CO_2 prevented.

EDP also promoted energy efficiency initiatives in Spain and Brazil. They included:

- Distribution of low-consumption light bulbs to HC Energía customers subscribing to the Funciona service.
- Pilot project for remote management of electricity consumption in the domestic sector, involving the installation of electronic meters with telemetering in 553 homes. Remote management of metering improves the quality of readings, detects anomalies (facilitating control of losses, fraud and defects in meters) and provides customers with more detailed information thereby helping them to manage their energy consumption better.
- " Sustainable Constructions" project at Enersul in Campo Grande and Jardim, which consists of restoring some facilities using environmentally friendly techniques thereby making it possible to save natural resources, reduce consumption and improve employee comfort.

1.6. Commitments made

Over the next year, we plan to continue working on this issue by means of the initiatives summarised in the table below:

Commitment	Status		Target
To asses and neutralise the carbon footprint associated with the PPA	New	⊙	2008
To define a method for assessing the climate risk for the EDP Group	New	⊙	2008
To reach 4,200 MW gross installed wind power capacity	Ongoing	⚙	2010
To continue the PPEC programme	Ongoing	⚙	2009

⚙ As planned ⚙ Ongoing but behind schedule ⊙ New

ENERGY EFFICIENCY PLAN (PORTUGAL).

In 2006, EDP received 81% of the funding provided by the ERSE for energy efficiency measures in electricity consumption for the different business sectors to a total of EUR 8.1 million.

The following initiatives were undertaken in 2007:

The environment belongs to all of us, involving 666 schools and 310 000 students from the 5th to the 9th grades.

TopTen, a website recommending the 10 appliances with the best energy performance in different categories.

Business idea competition in the area of energy efficiency.

EcoFamílias, a monitoring and advice programme helping 225 families to reduce energy consumption.

EnergyBus, a theme bus that travelled to 12 cities in Portugal giving information on electricity and good practices .

Compensation of reactive energy, by promoting capacitor banks in industry and agriculture (260 actions).

Electronic speed variators for industry (163 actions).

Electronic ballasts and T5 light bulbs for the service sector (32 000 sets of two T5 light bulbs, electronic ballast and light fittings).

Campaign to exchange incandescent light bulbs for 650 000 **compact fluorescent light bulbs**.

Promotion of **efficient refrigerators**, with 7,000 actions.

The impact of these measures was only quantified for tangible actions and, considering the life cycle of the intervention, was highly significant. There was an estimated 408 GWh reduction in energy consumption and 150 000 tonnes of CO_2 emissions prevented.

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2. BIODIVERSITY

EDP Group's Biodiversity Policy

With the implementation of its Biodiversity Policy, EDP is contributing to the world's objective of reducing biodiversity loss due to human activity.
In particular, EDP:

- Is aware of the sensitivity of natural ecosystems and of the pressures that these are subject to, as well as of the intrinsic value of the initiatives aimed at protecting biodiversity;
- Has significant experience in minimising the impact on biodiversity resulting from its activities;
- Wants to have an even more active role in the conservation of biodiversity and its promotion.

EDP deems biodiversity to be integrated in the management of its companies. The objective is to achieve an overall positive impact on biodiversity.

To that end, EDP is committed to:

1. Integrate the biodiversity impact assessment in all phases of its activities: project design, construction, operation and dismantlement of its energy generation and distribution infrastructures;

2. Minimise any negative impact on biodiversity arising from its activities, and promote positive impacts. When any negative impact cannot be prevented, EDP will implement consensual compensation measures, which allows the achievement of a globally positive biodiversity balance sheet;

3. Contribute to broadening scientific knowledge on the different aspects of biodiversity, in particular by supporting institutions selected in a transparent manner and in accordance with superior technical capability criteria;

4. Strengthen dialogue and partnerships on biodiversity issues with public or private entities;

5. Regularly and transparently report on its performance in relation to biodiversity, under the revision of independent bodies, and promote regular consultation to the different stakeholders, on this issue.

BIODIVERSIDADE

Due to its increasing importance in the international panorama, biodiversity is one of the areas in which we have recently recognised the need for greater transparency and commitment in our work.

We have therefore established and publicised our new biodiversity policy involving an ongoing strategy that will last from 2008 to 2010.

Although the main goal of the different projects currently under way is the promotion of biodiversity, the idea of this strategy is also to strengthen the dialogue with important stakeholders such as environmental NGOs and local communities in a way that is constructive for all concerned.

EDP BIODIVERSITY FUND

This EUR 2,500,000 fund is to support the implementation of EDP's biodiversity policy and is to be used by 2011.

What is the goal?
To finance the promotion and restoration of biodiversity in mainland Portugal.

Who is eligible?
Non-profit public or private bodies and scientific or university institutions that have proven technical competences in the field of nature conservation and are legally eligible.

How can they apply?
Detailed information on how to apply and the project selection process can be found on **www.edp.pt > Sustainability > Biodiversity.**

Under the Business and Biodiversity initiative promoted by the Portuguese Presidency of the European Union, EDP was one of the first companies to form a partnership with the Nature and Biodiversity Conservation Institute (ICNB). The following goals were set:

- To sponsor long-term initiatives by signing an agreement providing for a study on the effect of climate change on biodiversity in mainland Portugal;
- To sponsor short- and medium-term initiatives identifying causes of deterioration and implement recovery measures. Two cooperation agreements are currently in effect: Emergency recovery plan for three species of rock-dwelling birds in the Douro Internacional Nature Park (DINP) and a plan to improve the conservation status of migratory fish and their habitats in the downstream section of the River Cávado (between its mouth and the Penide hydroelectric power station)

At internal level, the planning stages of new undertakings include assessing and minimising effects on biodiversity in procedures required by law for companies, such as environmental impact assessments or on the basis of in-house guidelines, which are available on www.edp.pt>Sustainability > Environment> Environmental Impact Assessment.

We continued ongoing projects to improve compatibility of our activities with impacts on biodiversity, which include the Birdlife Agreement, designed to minimise the impacts of electricity lines on regional birdlife and the plan to recover the migratory fish community in the Douro river basin, which are available on www.edp.pt > Sustainability > Biodiversity.

In 2007, EDP had implemented 74 monitoring plans for new wind farms, most of which include fauna and f ora potentially affected by the new facilities. It is the company's goal to conduct a survey of all endangered species affected by current and future activities.

In electricity distribution, there is a new project for managing the electricity grid protection strips in Portugal. It involves conducting a survey of the type of biodiversity along the line corridors and developing methods and a guide of good practices in managing vegetation in the strips in order to preserve local biodiversity. This project is expected to be completed in 2009.

Environmental Performance

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EDP Management of Classified Areas

		Portugal	Spain	Brazil
Distribution Grids (km)				
HV	Above ground	831	38	405
	Underground	4	0.5	0.1
MV	Above ground (1)	7 387	582	10 127
	Underground	656	18	9.4
No. of Substations		23	9	30
Generation (ha)				
Areas f ooded by reservoirs(*)		3 426	260	0
Areas attributed to wind generation		716	N/A	n.a.
Areas attributed to thermal generation		N/A	N/A	0

Note: Excluding Alqueva and Pedrógão

n.a. = not applicable; N/A = not available

Also in Portugal, there are currently more than 500 ha in the process of becoming forest intervention areas, as part of the EDP Group's new strategy for managing its forests. Around 288 ha of these are covered by a pilot project to manage the promotion of local biodiversity, with special focus on cliffs, watercourses and their rock faces.

Finally, we signed a contract with Seia Municipal Council by which we loaned the 136-hectare Desterro Forest, which EDP owns, to set up a nature reserve in the Serra da Estrela area. It will be replanted with indigenous trees grown from seeds in greenhouses at the Setúbal thermoelectric power station.

EMERGENCY RECOVERY PLAN FOR THREE SPECIES OF ROCK-DWELLING BIRDS IN THE DOURO INTERNACIONAL NATURE PARK

— BONELLI 'S EAGLE, EGYPTIAN VULTURE AND BLACK STORK —

Photo: João Cosme

This project began in September 2007 and involves several NGOs and local associations with vast field experience and the ICNB, which is responsible for scientific coordination.

EDP has many facilities in the DINP and the risks of extinction of these species in the Trás-os-Montes region acted as an incentive to sponsor this project.

This two-year project is made up of 16 actions aimed at:

- Improving the birds' feeding habitats;
- Increasing the productivity of these three species;
- Reducing mortality factors;
- Improving scientific knowledge;
- Improving the local population's image of the species.

To follow the project, go to **www.rupicolas.com**

In Brazil, a region of high ecological sensitivity, the promotion of biodiversity is a long-standing concern and is closely associated with the activities of each company and the regions in which they operate.

In electricity distribution, management of the line protection strips in Mato Grosso do Sul, involving rationalisation of efforts and resources, resulted in a substantial reduction in the number of trees pruned. In the same region, in 2007, the electricity grid was adapted in two native villages in Várzeas do Rio Ivinhema State Park, making it possible to supply power to the local population without any substantial impact on the ecosystem.

In addition to minimising the impacts of activities, the environmental recovery of the borders of Tietê Ecological Park was completed. Some of the 25,000 native trees planted as replacements are now six metres tall.

Where generation is concerned, the nine environmental studies currently under way are related to monitoring fish and diagnosing areas directly affected by reservoirs or their surroundings. Thirteen deteriorated area recovery plans were also drawn up. At the UHE Paraíso hydroelectric stations there is currently a project to recover deteriorated areas by reforesting around 70 hectares.

Also in Brazil, the environmental impact assessment programmes continue at the Peixe Angical power station. One of the most important is the reforestation of around 250 ha, including the area around the reservoir (90 ha), an enrichment area (11 ha) and a regeneration area of 145 ha.

In Spain, the environmental management plan for the areas surrounding hydroelectric power stations is now complete. It was drawn up in collaboration with the Instituto de Recursos Naturales y Ordenación del Territorio. The implementation of these plans should begin with the Rioseco Reservoir in 2008. The purpose of these plans is the conservation and recovery of local ecosystems and the planning of publicly owned areas.

We continued the campaign to repopulate the main Asturia rivers with trout by releasing 140,000 in to the Nalón, Norena and Nora rivers.

Biodiversity is a growing area of intervention in our patronage and sponsorship of local communities. There are some examples on pages 86 and 89 of this report.

Environmental Performance

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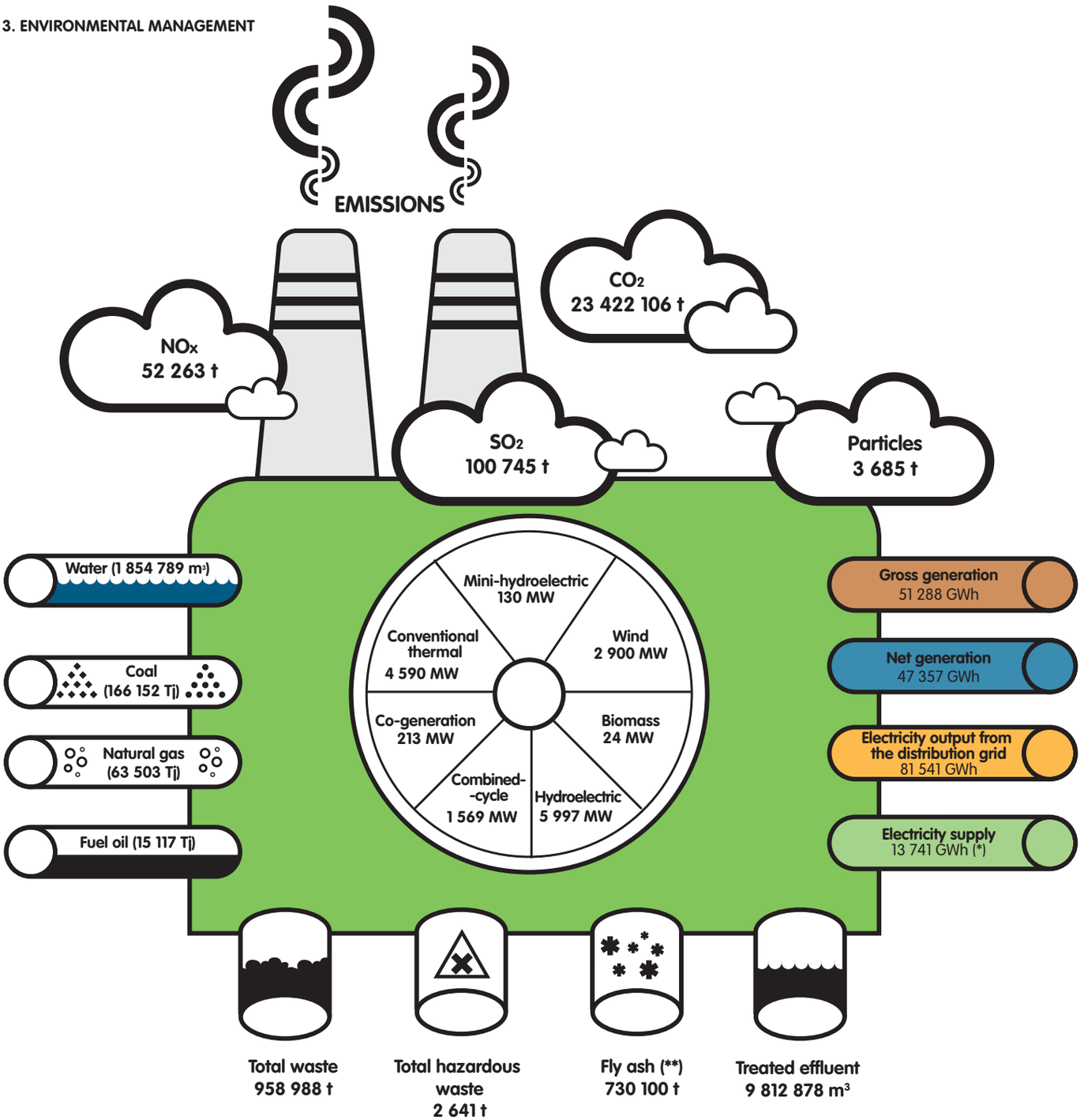
3. ENVIRONMENTAL MANAGEMENT



(*) Excluding Energias do Brasil
(**) Recovered ash

3.1. Assessment of impact of new projects

Most energy generation and distribution activities are subject to increasingly strict legal requirements. We adopt measures to evaluate and minimise significant environmental impacts for new projects, even if we are not obliged to conduct environmental impact assessments.

We are currently developing corporate guidelines adapting AIA processes to the company's strategy and raising standards in the different regions in which EDP operates.

Today, building a new infrastructure does not depend only on obtaining operating licences. Obtaining a "social licence to operate" involves establishing efficient communication with neighbouring communities and other stakeholders, increasing the transparency of processes and improving understanding and acceptance of the need for them. In 2008, we plan to reinforce these dialogue mechanisms by preparing a corporate communication procedure for major EDP projects.

Detailed information on current impact and environmental incidence is available on www.edp.pt> Sustainability>Environment> Environmental Impact Assessment.

3.2. Environmental management system

EDP demonstrates the implementation of its environmental policy, which was drafted in 1994, through effective environmental management ref ected by a progressive increase in ISO 14 001:2004 certification of its environmental management systems.

In order to improve EDP's environmental performance, we began implementing a environmental management system covering corporate management of environmental policies and the EDP Group's strategic environmental plans. It should be completed in 2008.

Due to the importance of increasing the number of Group activities with environmental certification, several initiatives were undertaken in the different regions in which we operate. They are summarised in the table below.

BAIXO SABOR HYDROELECTRIC PLANT

The construction of the Baixo Sabor, Hydroelectric Plant with an installed capacity of 170 MW has been contested as it encroaches on Rede Natura 2000. A decision from the European Commission is expected soon. However, the strategic importance of its construction is much greater than just electricity generation.

- It will create 450 Mm^3 of emergency water reserve in the Douro;
- It will improve f ood control, reducing the water height at Peso da Régua by 1.5 m;
- Its pumping capacity will contribute to the growth of wind power. Added to its generation capacity, it will contribute significantly to meeting targets for electricity generated from renewable sources imposed by EU directives;
- It will reduce CO_2 emissions, avoiding 5% of emissions in the electricity sector in Portugal.

During the AIA process and in response to European Commission requirements, the project has a plan for large-scale compensatory measures covering a long list of species of fauna and f ora to be researched and recovered with monitoring during the plant's useful life and territorial coverage of up to a 140 km radius of the plant.

The first compensatory measures should begin before the construction phase, which is scheduled for 2008, coming into service in 2013.

Environmental Performance

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	EMS	ISO 14001 Certification	EMAS Registration
Activities in Portugal			
Electricity generation	Implemented	94% of installed capacity has been certified	Established objective: to register the Ribatejo, Sines and Lares power stations as candidates for the Eco-Management and Audit Scheme (EMAS)
Electricity distribution	Ongoing: conclusion of the first phase expected in 2008		
Gas distribution	Implemented and maintained	Certified	
Wind	Established the objective of implementation		
Activities in Spain			
Thermal electricity generation	Implemented and maintained	100% of installed capacity certified	Registration of the Castejón power station in 2007
Hydroelectric electricity generation	Implemented	Objective: to certify during the first half of 2008	
Electricity distribution			
Gas distribution	Implemented and maintained	Certified	
Wind	Established the objective of implementation		
Activities in Brazil			
Electricity generation	Undergoing implementation	Objective: to certify strategic areas at the start of 2008	
Electricity distribution	Undergoing implementation	Objective: to certify strategic areas at the start of 2008	

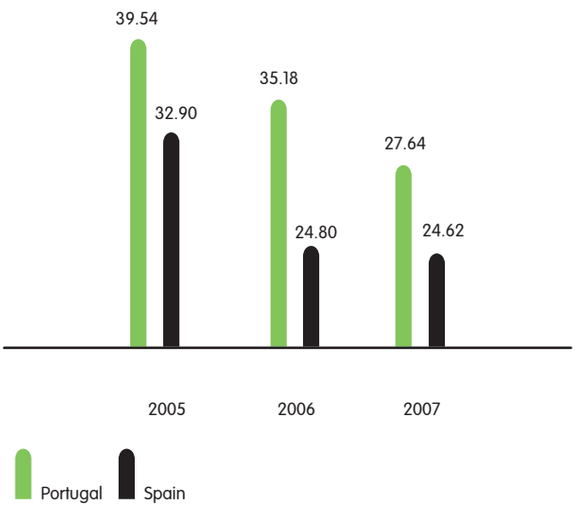
3.3. Atmospheric emissions

In spite of the increase in generation of electricity by fossil fuel power stations owing to the low rainfall in the Iberian Peninsula in 2007, absolute SO_2 and NOx emissions were lower than in 2006 thanks to the implementation of desulphurisation and nitrogen oxide reduction systems which began in 2007 and will be completed in 2010.

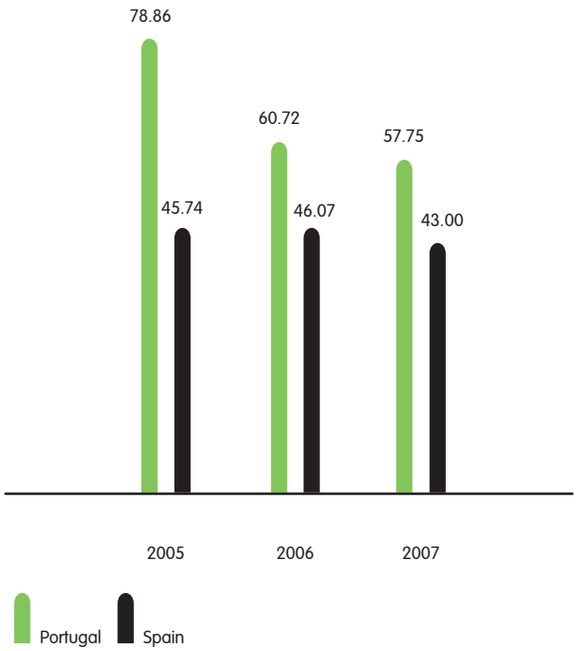
In Spain, group 2 at the Aboño Power Station, which has new low NOx burners installed, completed desulphurisation and is fully operational. Today it is one of the cleanest coal-burning units in Spain. Group 1 at Aboño is now being adapted for co-combustion of biomass. At the Soto Power Station, new low NOx burners have been installed in group 3 and the desulphurisation equipment is expected to go into operation in the first months of 2008.

In Portugal, the installation of desulphurisation and primary complementary NOx reduction measures in groups 1 and 2 at the Sines Power Station went into operation and the remaining groups will be dealt with in 2008. In 2007, a call for tender was issued for the installation of catalytic denitrification systems in the four groups. Also at Sines, the precipitators in groups 1 and 2 and then in groups 3 and 4 were revitalised in order to reduce particle emissions. We began technical feasibility studies of co-combustion of biomass at Sines.

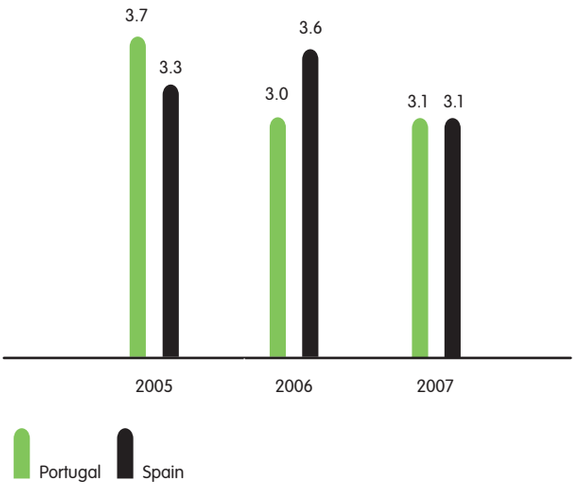
Total NOx emissions in the EDP Group (kt)



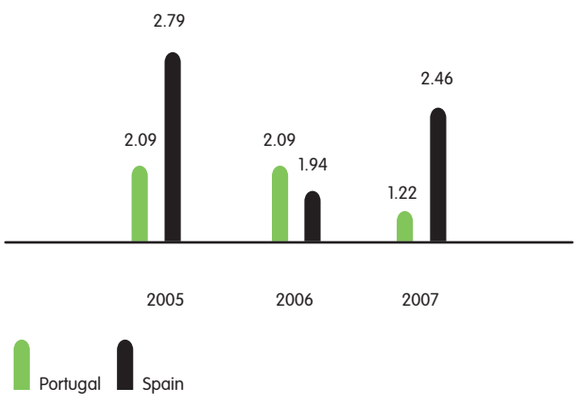
Total SO_2 emissions in the EDP Group (kt)



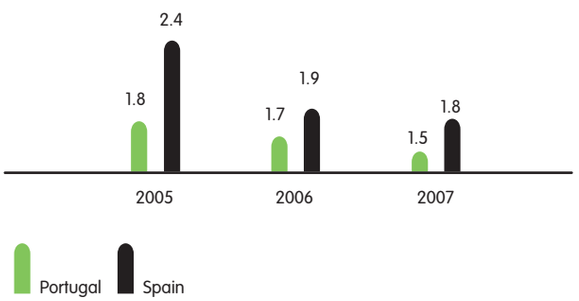
Specific SO_2 emissions from thermal power stations (g/kWh)



Total particle emissions in the EDP Group (kt)



Specific NOx emissions from thermal power stations (g/kWh)



Specific SO_2 and NOx emissions at EDP Group thermal power stations went down slightly from 3.2 to 3.1 g/kWh of SO_2 and from 1.8 to 1.6 g/kWh of NOx, compared to 2006. This slight reduction was mainly the result of an increase in the generation of electricity from natural gas combined cycles. The effect of desulphurisation and nitrogen oxide reduction was also visible at the coal-fired power stations.

Environmental Performance

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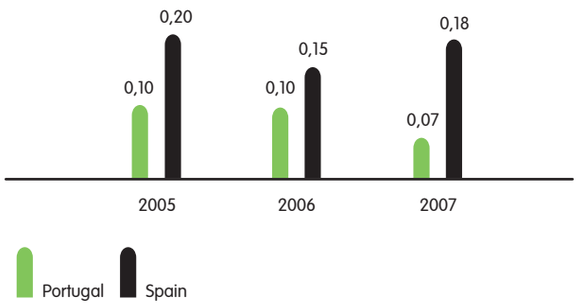
Specific particle emissions from thermal power stations (g/kWh)



3.4. Water consumption

Thermoelectric power stations take in a substantial amount of water for cooling purposes. In open circuits, practically all the water is returned and maintains its physical and chemical characteristics. In closed circuits, the water is necessary essentially to compensate for water that has evaporated.

Water consumption and uses (m³)

	2007	2006	2005	Var %
Portugal				
Drinking water*	201 152	216 849	204 721	-7.2
Raw water	3 815 936	3 461 468	4 785 965	2.3
Cooling water	1 316 121 860	1 561 210 155	2 134 633 625	-15.7
Spain				
Drinking water**	15 261	n.d.		
Raw water ***	2 148 272	955 780	n.d.	-64.6
Cooling water	535 061 520	485 884 398	566 027 617	10.1

* Water from the mains; consumption by Portgás was added in 2006
** At company offices
*** In 2007, includes Sidergás
n.d. = not available

Water collected by source (m³)

	2007	2006	2005	Var %
Portugal				
Sea	1 022 667 600	1 220 983 200	1 193 122 800	-16.2
River/Stream	293 761 301	340 286 919	942 368 150	-13.8
Reservoir	1 493 058	1 242 075	1 764 645	20.2
Borehole	1 176 521	994 599	1 328 756	-9.5
Well	16 363	18 558	22 155	-11.8
Other	1 086 736	920 853	894 780	2.9
Spain				
River/Stream	50 511 083	59 979 687	60 535 709	-15.8
Sea	484 858 652	426 867 869	505 842 372	14
Other	15 261	n.d.	n.d.	—

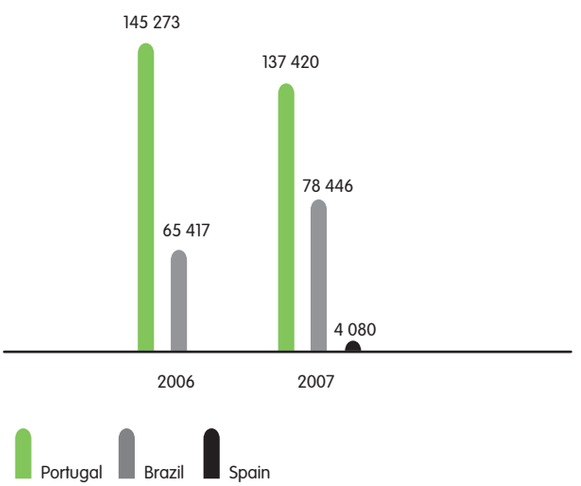
3.5. Office buildings

Efficient management of EDP's office buildings is a group-wide practice.

In Portugal, as part of the Econnosco Programme encouraging good practices in consumption efficiency, we achieved a reduction of 4% in water consumption and 13% in electricity consumption in office buildings.

At the head office of HC in Spain, where more than 300 people work, devices to reduce water consumption were installed and should bring use down by 32%.

Water consumption in EDP office buildings



3.6. Waste

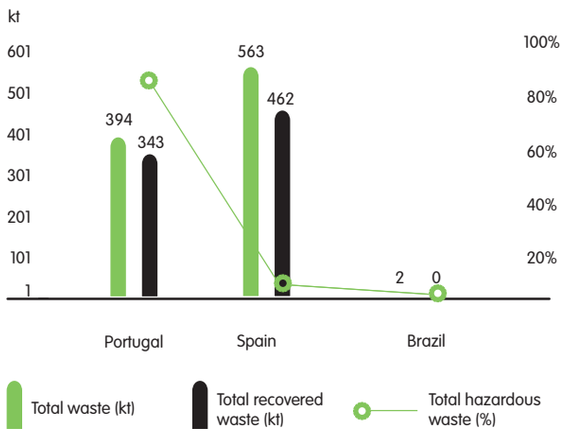
EDP's waste management continually seeks to recover it and reduce its production at source.

EDP's generation activities produce large quantities of f y ash and slag from burning coal and fuel oil at thermal power stations. Coal f y ash has a high recovery potential and has been used for several years as a by-product in the cement and concrete industry. Other waste is produced in operation and maintenance processes and in generation and distribution. The waste produced in largest quantities is concrete posts and oil.

Polychlorinated biphenyls (PCB) are chemical products that, until the mid-1970s, were widely used in oils for transformers, condensers and other electrical equipment. They constitute highly dangerous waste from an de environmental point of view due to their polluting potential. The EDP Group in Portugal has equipment that has been identified and for which a PCB elimination plan has been implemented in order to comply with the legal deadline (2010).

More detailed information on waste produced by the EDP Group is available on www.edp.pt>Sustainability>Environment> Management and Performance>Waste.

Waste by region sent for final disposal



3.7. Compliance with the law

In 2007 a database of environmental legislation applicable to the EDP Group companies was introduced. This tool allows more effective management of the legal requirements applicable to each facility.

In 2007 no substantial environmental fines were imposed on the Group and they totalled EUR 9,000. However, there was an environmental violation in generation due to the fact that solid waste was drawn into the River Somiedo from the La Riera hydroelectric power station resulting in a fine of EUR 11,000. As a result of this accident, emergency procedures were reviewed in order to avoid recurrences.

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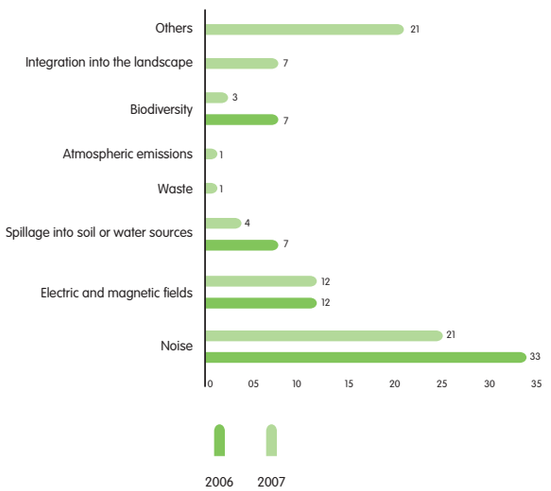
3.7.1. Complaints

Based on our systems for receiving and dealing with complaints associated with customer relations, there were 99 fewer environmental complaints than in 2006 (there were 168 in 2006). The figure below shows the different types of complaint. In 2007 there was an increase in complaints about noise caused by electricity generation and distribution facilities and about electromagnetic fields.

No. of complaints by type



In electricity generation activities, there are also local systems for receiving and processing complaints. This type of structure is closely associated with abnormal events that occur occasionally and affect local communities.

3.8. Electric and magnetic fields

EDP has been following scientific research into the long-term effects of electric and magnetic fields (EMFs) on human health since 1997 by actively participating in international working groups, such as Eurelectric and Cigrê.

We follow international recommendations on limits on electric (5 kV/m) and magnetic (100 μT), fields adopted by the EU in 1999 and which have been the legal limits in Portugal since 2004.

Aware of the population's growing concern and the recognised lack of information on the subject, in 2000 we sponsored the translation of the World Health Organisation publication "Electromagnetic Fields" for the authorities and general public and promoted its wide circulation. Since then, we continue to hold public communication sessions for target communities and to perform specific measurements whenever asked to do so.

In order to ensure total compliance with the law, we calculate EMF values for planned infrastructures and survey EMF figures for operating facilities by standard configuration.

In view of the importance of continuing studies that may make up for the lack of scientific knowledge on such a sensitive subject, we helped fund an international WHO-coordinated project, the results of which were published in 2007.

EFFECTS ON HUMAN HEALTH OF PROLONGED EXPOSURE TO EMFS

Highlights from 2007 OMS Report

- There is limited evidence in humans for the carcinogenicity of magnetic fields in relation to childhood leukaemia;
- There is inadequate evidence in humans for the carcinogenicity of electric and magnetic fields in relation to all other cancers;
- There is inadequate evidence in experimental animals for the carcinogenicity of extremely low frequency magnetic fields;
- No data relevant to the carcinogenicity of extremely low frequency magnetic fields are available.

In 2007, we commissioned a study from Instituto Superior Técnico to serve as a base for the design of new initiatives in this area in 2008 in order to assess precautionary measures in the construction of new electricity lines.

Following the publication of the 2007 Eurobarometer, we found that the percentage of the European population believing EMFs to be a source of moderate or significant concern to their health had risen to 75% against 66% in 2002 and that available information on the subject was unsatisfactory or not very satisfactory (65%). EDP therefore set a goal for 2008 of creating a space devoted to the subject on the EDP website and holding voluntary question and answer sessions for the public and employees, making them ambassadors on the subject with their families and friends.

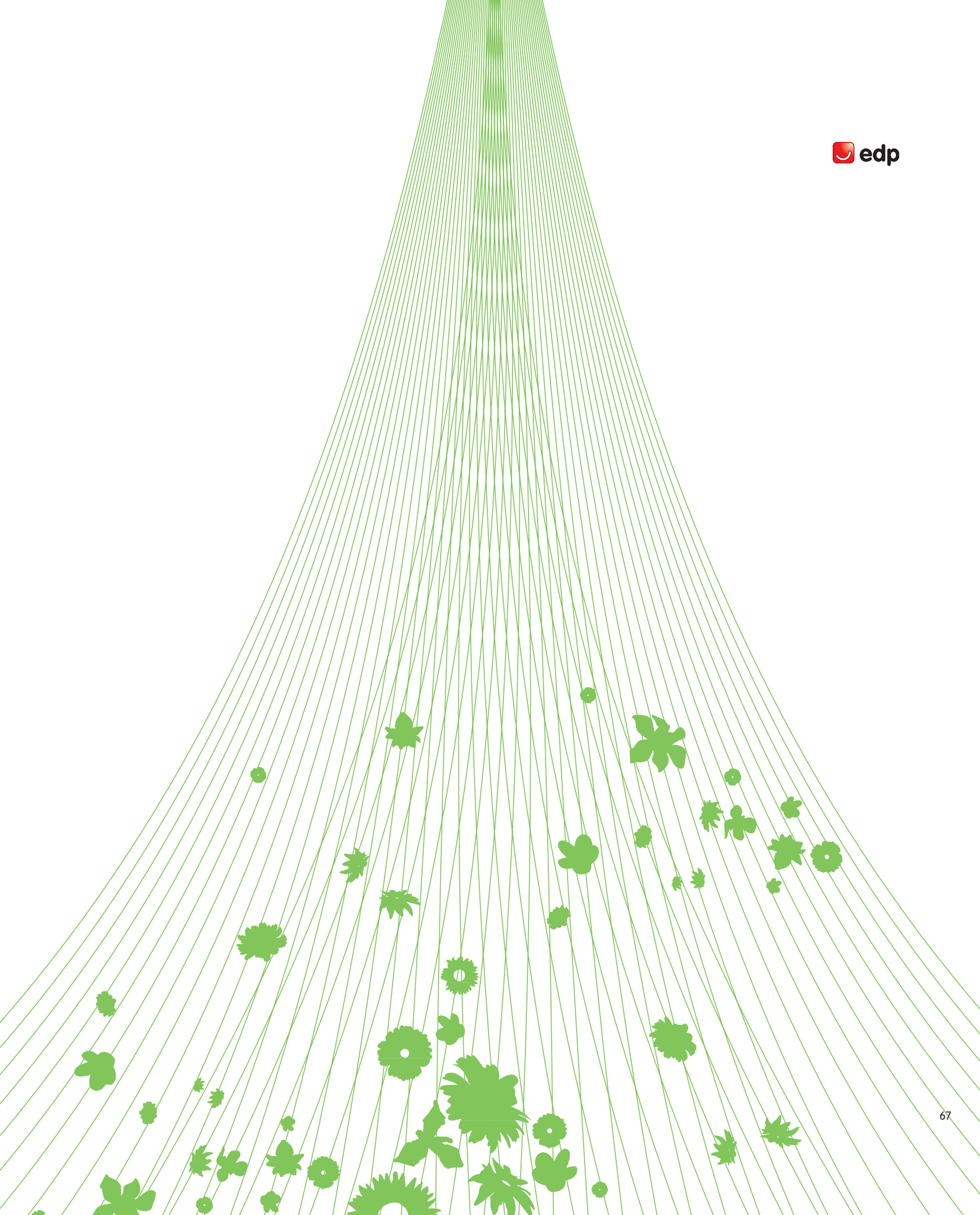
3.9. Commitments

Objective	Status	Target
Corporate EMS	Ongoing	2008
ISO 14 001:2004 certification of hydroelectric plants in Spain	New	2008
Implementation of a sustainability information system	Ongoing	Early 2008
Desulphurisation and denitrification of coal-fired power stations in the Iberian Peninsula	Ongoing	2010
More EMF communication	New	2008
Corporate near-miss assessment project	New	2008

As planned Ongoing but behind schedule New

07

Stakeholders



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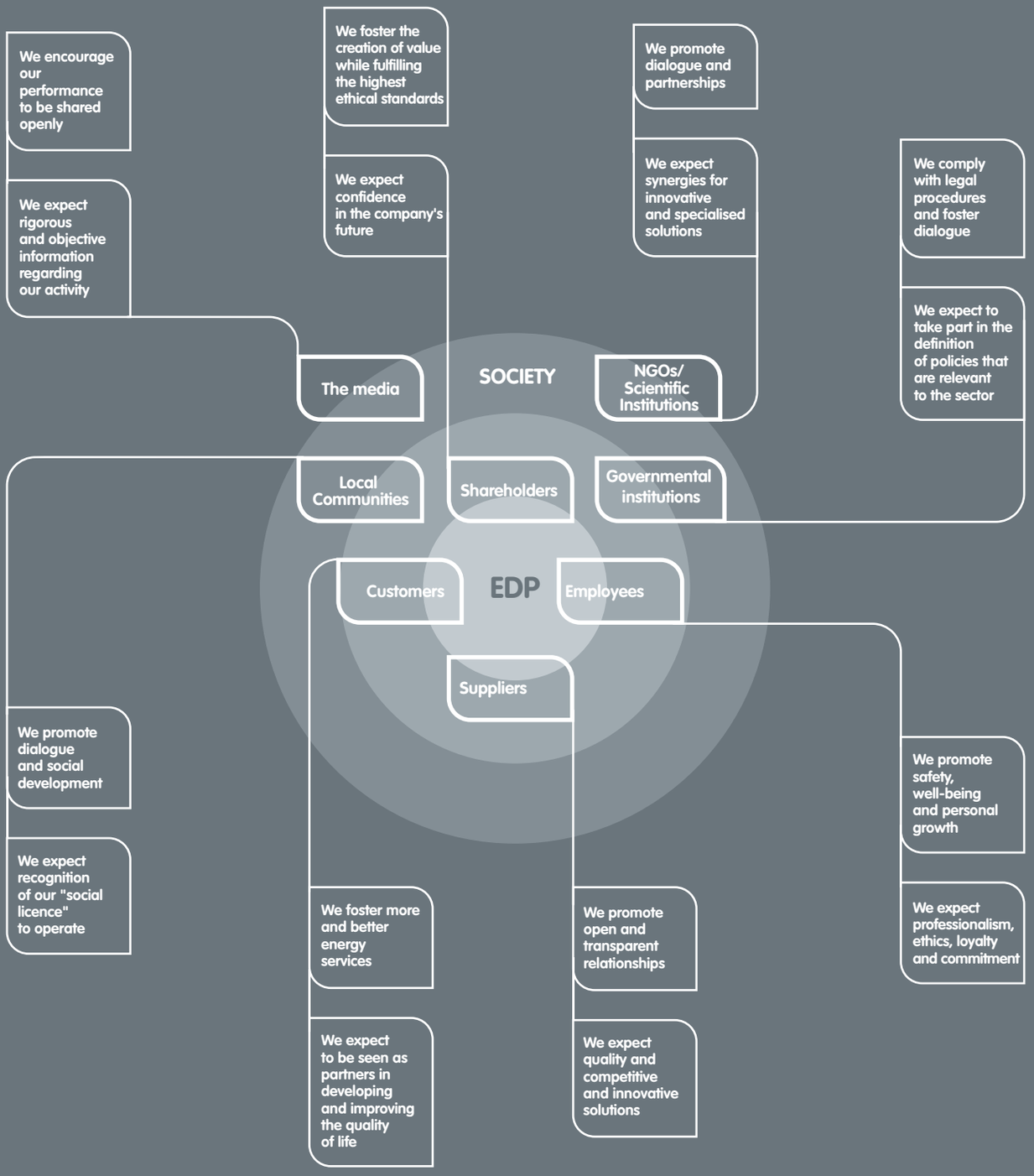
Stakeholders



This report is designed to meet the expectations of our main stakeholders, who are identified on the basis of the company's long experience in relations with each one. They are assessed by group-wide teams and are periodically re-evaluated. Strengthening this dialogue is one of the our permanent goals and will receive special attention in 2008.

1. EMPLOYEES

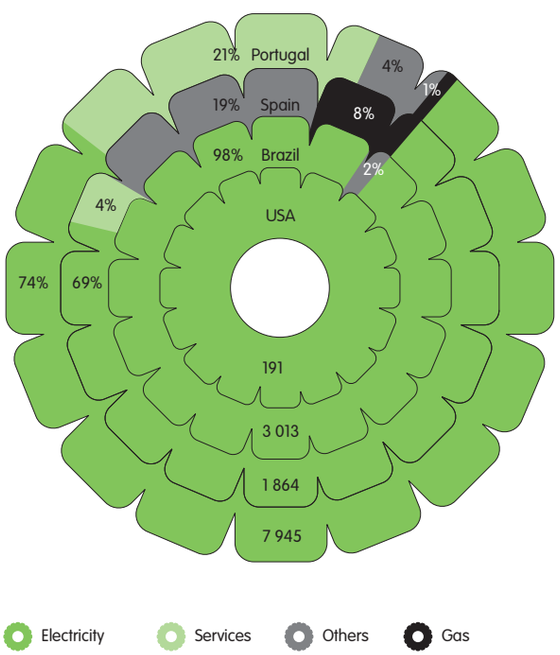
1.1. Description

The total number of employees has fallen slightly in recent years, in spite of the Group's geographic expansion. In 2007, the company had 13,013 employees, 3% fewer than in 2006.

For employees who were covered by the employee adjustment plan (see page 99, Institutional and Corporate Governance Report) and therefore left EDP, the company offers socio-professional reorientation programmes to facilitate their job seeking or setting up their own businesses and active retirement programmes, offering choices of activities – health, leisure, training, volunteer work, etc.

As this is one of the company's constant concerns, these support programmes will continue in 2008.

Breakdown of EDP Employees by Region and Activity



Note: These data do not include corporate bodies

One of the plans in the Group's rejuvenation policy is to reduce the high average age of our employees (45). In 2007 in Portugal, EDP admitted new employees with an average age of 29.7, which goes to show our ongoing efforts at rejuvenation.

As a result of the Group's policy of promoting vocational and academic internships (see table on EDP Group Labour Relations), there were eight internships at IAESTE (International Association for the Exchange of Students for Technical Experience) and 23 under the PEJENE (Programa de Estágios de Jovens Estudantes do Ensino Superior nas Empresas). In Brazil, 168 children had the opportunity to acquire new knowledge.

Gender differences are justified to a large extent by the fact that it is a traditionally male sector (81.07% of our employees are male, with top management representing 87.21%). Nonetheless, in spite of the difference, there is a slight trend towards a reversal in these figures, as 34% of new recruits, hired exclusively on the basis of merit, are female.

The company has no discriminatory practices where salaries are concerned. There is no difference in salaries between men and women doing the same job and no discrimination in recruitment mechanisms. However, the salary ratio between gender for the Group in 2006 (85% top management, 85% directors and 90% other employees) showed a certain imbalance in favour of male personnel. In 2007 we analysed the situation in Portugal and found similar changes in indicators to 2006 (74% board[1], 87% top management), with a favourable 5% ratio for female personnel in the latter category. We will devote special attention to this matter in 2008 in order to ascertain the reasons and mitigate the differences.

(1) Not including the Copany Officers of the Information on remuneration of corporate bodies is available on page 151 of the Institucional Report

Stakeholders

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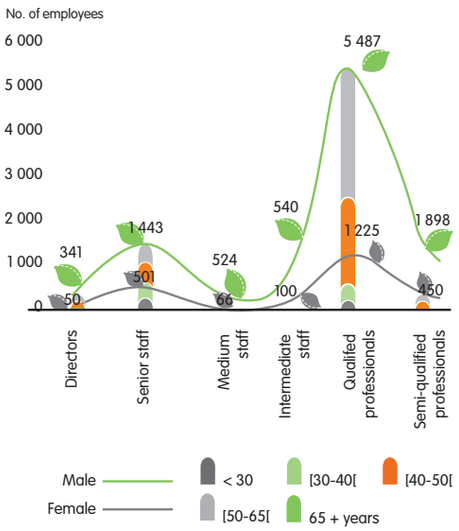
Breakdown of Employees by Professional Category



(*) Not including Horizon. Age groups are calculated only for Portugal (61% of Group's total employees)

Employment in the EDP Group

	2007	2006
Portugal		
Fixed-term contract	1%	1.2%
Part-time employment	3	N/A
Employee turnover	0.04	0.04
Absentee rate	3.68%	4.06%
Spain		
Fixed-term contract	1%	0.7%
Part-time employment	0	n.d.
Employee turnover	0.06	0.11
Absentee rate	3.63%	3.64%
Brazil		
Fixed-term contract	0%	0.0%
Part-time employment	0	N/A
Employee turnover	0.09	0.10
Absentee rate	3.92%	4.27%

Note: Low turnover does not justify breaking the figures down by gender or age group.
N/A = not available

Although there are no in-house procedures explicitly encouraging local recruitment, a high percentage of employees originate from the regions in which the company operates, reinforcing its important role in their development.

1.2. Assessment and performance

Our Talent Project and new Human Asset Information System were publicised during the year at workshops in Portugal, Brazil and Spain. We then redesigned human asset management processes. The potential and performance assessment process was the first to be completed. Its implementation began at board level and it will be applied in cascading phases to the Group's remaining employees. The previous systems will only be replaced as the new methods are implemented.

1.3. Dialogue

In-house communication is an excellent instrument for the company to circulate information to its employees and promote its culture and values. In addition to providing information, in-house communication and motivation promote knowledge and the transmission of values and the resulting synergies add value to the organisation.

The intranet is a means of communication that all employees use every day. At the close of 2007 we launched the new EDP portal offering more than 50 services in the areas of human resources, logistics, economics, finance and procurement. This will give employees access to Group-wide information, making it easier for them to find out more about EDP's different realities.

We also began a pilot corporate TV project – EDP ON,. This new communication channel will provide all employees with visual information on the company's initiatives, transmitting knowledge and giving a voice to the teams involved in the Group's different projects on an international scale.

Another noteworthy initiative was the release of a new magazine, ON. This bimonthly magazine is published in Portuguese and Spanish and we are studying the possibility of also releasing it in English. In addition to current employees, it also goes to retired employees and our main stakeholders in Portugal.

Closeness of the Executive Board of Directors to employees is an EDP tradition. In 2007, in addition to many sectoral meetings of the Chairman of the Executive Board of Directors (CEBD) with the different business units, for the first time annual meetings included a presentation of our business plan, permitting better alignment of each employee with the Group's strategic goals.

There is a direct intranet channel to the CEBD that enables employees to submit queries and suggestions that they do not feel it is possible to submit to their immediate superiors.

"Tell us inside what you see outside" is the slogan of a campaign conducted in 2007 encouraging employees to report situations requiring attention. It is a way for them to participate in the company's business.

1.4. Satisfaction

EDP has measured employee satisfaction every year since 2004. In 2007, due to internal reorganisation and in order to harmonise procedures in all the regions in which it operates, the satisfaction survey was postponed to the first quarter of 2008. This diagnostic tool will therefore have a corporate format, while still maintaining questions on local specificities.

1.5. Training

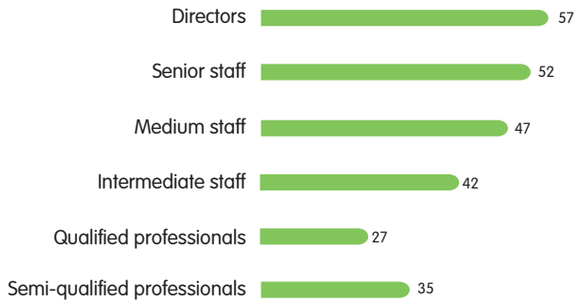
Individual development and business alignment are the pillars of EDP's training policy.

In 2007, 464,806 hours of training were given to 91% of EDP employees, to a total investment or around EUR 8 million.

Training indicators by region

2007	Portugal	Spain	Brazil
Total no. of training hours	215 504	63 186	186 118
No. of trained employees	8 007	1 644	2 235
Average training per employee (hours/trainee)	27	34	62

Training Rate per Profissional Category



Most important training in 2007

Training Area	Hours of Training	No. of Trainees
Environment	5 448	983
Sustainable development	5 916	1 360
Quality	10 319	1 643
Languages	17 126	1 342
Accident prevention and safety	47 213	5 288
Information systems	49 980	3 629

Chronos training continued this year for all EDP Group employees in Spain and Brazil. It will be completed in 2008.

Stakeholders

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1.6. Labour relations

Around 85% of EDP's employees are covered by regularly negotiated collective employment agreements, which define the social benefits to which they are entitled.

Operational changes in the company impacting on employees are announced at least 30 days in advance, depending on their complexity. These procedures are duly laid out in the collective agreements and labour legislation.

Following corporate harmonisation of labour relations, a new coordination office was set up to conduct negotiation in Portugal and monitor the same issues in other countries.

Sixty-six percent of our employees belong to one of 39 trade unions.

In Spain, HC Energía signed a new six-year collective agreement covering its 10 companies, a perfect example of the company's modernity.

The agreement includes substantial improvements in workforce f exibility, economic and social conditions and job creation. Particularly important are reconciling work and family life, gender equality, occupational safety and accident prevention and career development, in favour of sustainable development.

Employees are also able to choose intensive work days and also benefit from a special electricity tariff and an annual pay rise based on the consumer price index. The agreements also provides for a pre-retirement plan and a commitment to hire new employees to a minimum of 50% of the number of pre-retirees, including hiring a percentage of people with special needs.

Labour Relations within the EDP Group

	2007	2006	2005
Portugal			
Trade union participation(%)	75%	74%	74%
No. of strike hours	3 119	615	341
No. of working students	45	n.d.	105
No. of vocational internships	50	78	40
No. of student internships	124	n.d.	n.d.
Spain			
Trade union participation(%)	27%	28%	26%
No. of strike hours	0	0	0
No. of vocational internships	n.d.	n.d.	n.d.
No. of student internships	77	n.d.	n.d.
Brazil			
Trade union participation(%)	71%	62%	62%
No. of strike hours	0	0	0
No. of working students	n.d.	n.d.	n.d.
No. of vocational internships	180	225	234
No. of student internships	120	n.d.	n.d.

1.7. Developing skills

Under the Talent Project, the Young Employees with High Potential programme identified 167 young people in Portugal and Spain who will be the target of individual development plans. This initiative will also be introduced in Brazil in 2008.

SOU EDP [I AM EDP]

The Sou EDP programme was developed to improve our organisational culture, involving around 7,000 employees in Portugal.

The goals of the programme are:

- to raise employees' awareness of the value and behaviours that embody EDP's specific stance;
- to appraise the presence of these values and reinforce them;
- to encourage an attitude of involvement and optimism with regard to the EDP Group's challenges and each person's role and responsibility in achieving targets.

The Sou EDP Programme will be extended to Spain and Brazil in 2008

Coaching in behavioural skills was also important. Twelve programmes were completed and another 12 are currently under way in different Group companies.

1.8. Health systems and other social benefits

All EDP employees are covered by medical assistance and medication schemes to complement the state health system or other health subsystems.

Where occupational health is concerned, our in-house occupational medicine services are responsible for monitoring employees' health. They conduct medical exams, promote health education and check workplace conditions and first aid equipment.

In 2007, EDP increased spending on employees' social benefits, as indicated on page 40 of this report.

Balancing work and family life

We believe that whole, fulfilled people are more creative, energetic and positive.

Therefore, in addition to each employee's monthly salary, EDP provides a series of social benefits going far beyond the company's legal obligations.

To this end, the Conciliar project is currently under way as part of the Sou EDP Programme. Its goal is to enable employees to balance their personal, family and work lives in all the regions in which the company operates.

Conciliar consists of four main areas: health and well-being, family support, citizenship and personal and work life. The following measures are currently being implemented:

- As of January 2008, every birth or adoption will be celebrated with a gift of EUR 500 euros in a bank account in the employee's child's name (an initiative now being implemented in Portugal and Spain);
- Every year the Junior Citizenship Prize will be awarded for young people's academic and civic performance. School-age children or grandchildren of employees and pensioners can enter in the year they complete a cycle of education;
- Also as of January 2008, any pregnant employee will have access to a leave of up to 15 calendar days immediately prior to her delivery without loss of pay;
- We provide information systems and resources for employees to work away from the office to help them balance their work and family life.

In Portugal, every year we organise holiday camps for employees' and pensioners' children and grandchildren aged from 6 to 15. This initiative involved 856 children in 2007.

EDP won the Most Family-Responsible Company Award in an initiative sponsored by the AESE (see page 90)

Stakeholders

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1.9. Other initiatives

Volunteer work

EDP is a company with highly qualified human resources. Our knowledge can be useful to society and EDP therefore gives employees the opportunity to do volunteer work so that they can share that knowledge.

In 2007, several training courses were organised for children in Portugal in partnership with Associação Aprender a Empreender. They included the Economy for Success Programme for the 9th grade, the Family and Community Programme for primary school children, the Economy for Success Programme for priority intervention schools and the Right Arm Programme, a day in the life of a company for 9th grade students.

These initiatives involved 38 employees for 226 hours.

1.10. Safety and accident prevention

In 2007, we reissued "EDP's Safety Policy" showing our commitment to managing safety in the workplace. We are convinced that working in a safe, healthy environment is decisive to employee satisfaction and to successful results.

Pursuing our OHSAS 18 001 certification policy, in 2007 the gas sector in Spain obtained certification and we began revision of certification for the new OHSAS 18001:2007.

Efforts to reduce the number of accidents proved successful and there were 10% fewer on-duty accidents among EDP employees than in 2006.

EDP's frequency rate was 4.32 accidents per million hours worked (considering accidents resulting in absences of one day or more). EDP's compound frequency rate with service providers to industrial generation and distribution of electricity was 4.29 (see page 12 – Key sustainability indicators).

EDP's severity rate was 225 days lost per million hours worked.

Safety and accident prevention indicators per region

EDP employees	Portugal	Brazil	Spain
No. of accidents	41	17	26
Frequency index (Fi)	3.0	2.83	8.46
Severity Index (Si)	267	128	227
Total no. of days lost to accidents	3 627	767	698
Occupational illness rate	0.45	n.d.	n.d.

(1) Only Portugal. It will be windned to the Group in 2008.
n.d. = not available

In spite of efforts to raise awareness and ensure monitoring, there were unfortunately five fatalities among electricity service providers, three in Portugal and two in Brazil.

The first edition of the EDP Annual Accident Prevention and Occupational Safety Prize was held in 2007. It also extends to EDP service providers who distinguished themselves in 2006 with their contribution to consolidating EDP's accident prevention culture.

NEAR MISS PROJECT

A corporate project is currently under way to assess near misses, based on in-house safety and accident prevention procedures. Recording of information on near misses began at EDP facilities in 2008.

The current Near Miss Project for reporting and analysing environmental incidents uses experience acquired under the Corporate Environmental Management System (SIGAC).

1.11. Commitments

Objective	Status	Target
Safety revision and certification (OHSAS 18 001: 2007) of generation centres in Portugal and Spain	New	2008
New employee satisfaction survey	New	2008
Implementation of measures to reconcile work and family	New	2008
Conciliar Project, seeking to reconcile all employees' work and family life	Ongoing	2008
New programmes to limit stress, alcohol and substance abuse and injuries	New	2008
Corporate Near Miss Project	New	2008

As planned Ongoing but behind schedule New

Stakeholders

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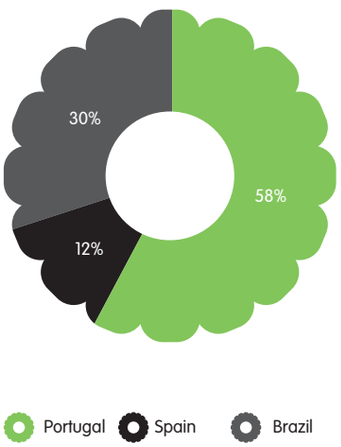
2. CUSTOMERS

2.1. Customers and energy

In 2007, EDP had around 11 million customers, geographically distributed as shown in the figure below. Our overall number of electricity customers increased by 161,000 and gas customers by some 40,000.

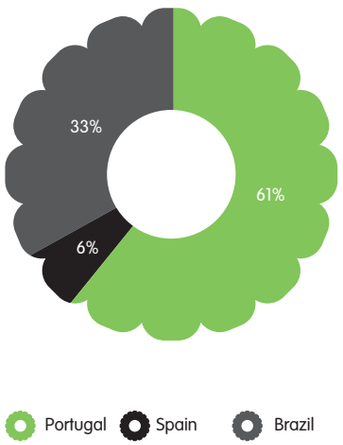
Breakdown of EDP Group customers by geographical area in 2007



In 2007 there was a slight rise in the number of electricity customers, who represent around 92% of all our customers. Approximately 98% of these are in the regulated market.

Compared to 2007 there was a 38% increase to 202,015 customers in the free market.

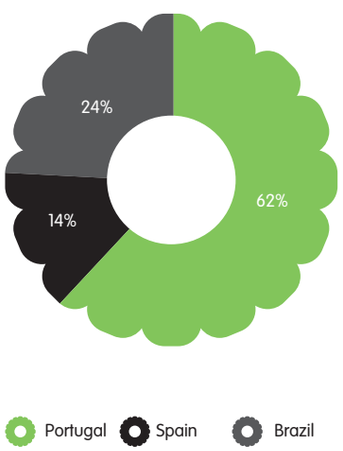
Breakdown of regulated market customers by geographical area in 2007



There was an increase of 3.3%, from 78,913 GWh to 81,541 GWh, in electricity deliveries to the distribution grid. Around 76% was to supply customers in the regulated market.

In the free market, we offered a green tariff in Portugal, which was supplied to 1,227 customers, totalling 2,922 MWh in 2007.

Geographical Breakdown of Electricity Sales in 2007



There was an improvement in the EDP Group's operating efficiency, as the ratio of electricity deliveries to the grid per employee rose from 5,905 MWh to 6,263 MWh in 2007.

2.2. Dialogue and Satisfaction

In a business in which every day is customer day, calling one of them Customer Day symbolises the reassertion of commitments to our goal of constantly improving our service to them. In Portugal, for the second year running, it brought together around 400 people including employees, edp agents, partners and service providers under the motto "Future Connections", "EDP Customer Day 2007". Customers' opinions were heard in interviews and from indicators obtained from studies and monitoring conducted during the year.

In Spain, monthly opinion polls, "encuestas de feedback" addressed quality of technical and commercial service, level of satisfaction and reasons for switching to the competition.

Following these results, the Voz del Cliente service was set up as a forum for analysing surveys of customers, homes, services and industry in order to find a way to improve performance.

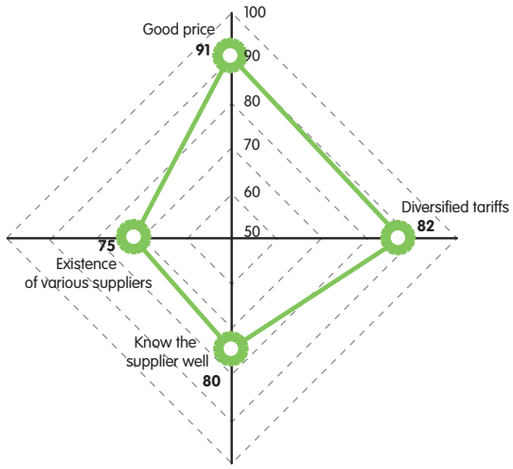
In 2007, EDP won the Call Center de Oro 2007 Prize in Spain (see page 90).

Essential factors in improving our performance are furthering knowledge of perceptions and finding out more about what our customers value most.

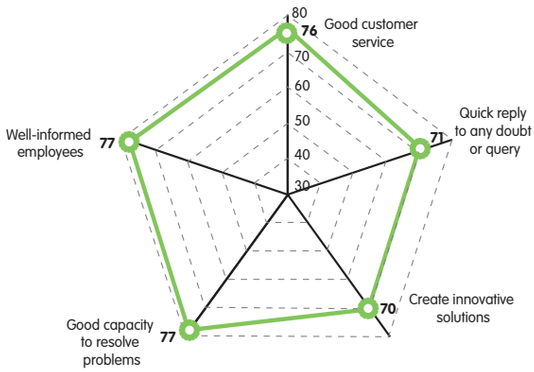
The company's customer-oriented contact information can be found under Additional Information in this report.

In Portugal, we increased surveys of our residential customers' perceptions. In addition to polls on overall satisfaction and satisfaction with service, we monitored the performance of the edp brand and the impact of different measures and initiatives, in the field of energy efficiency and customer service, for example. We also studied the factors that customers value most in an energy supplier.

Satisfaction of residential customers with energy suppliers in Portugal (%)



Satisfaction of residential customers in Portugal (%)



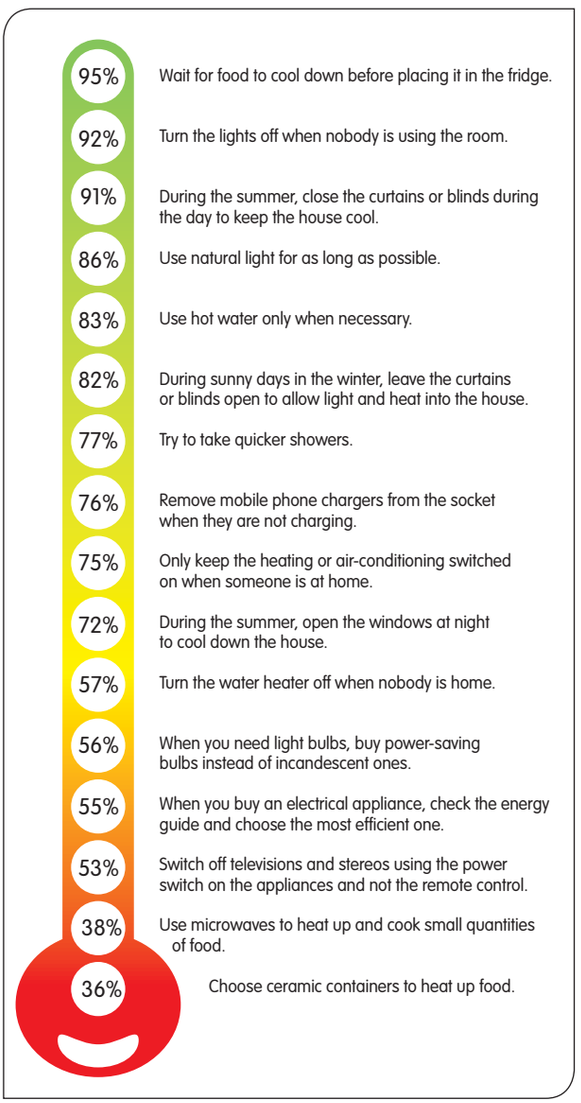
Stakeholders

07

We made a great effort to cement partnerships and close relationships with customers, especially when it came to sharing information, in an attitude that was highly appreciated by the market. We know that 80% of our customers have clearly stated their intention to continue to be EDP customers.

Under the ECO programme in Portugal (see pag e 52 of this report), we gauged customers' opinions on energy-efficiency measures and initiatives.

Results of energy efficiency barometer



2.3. Service quality

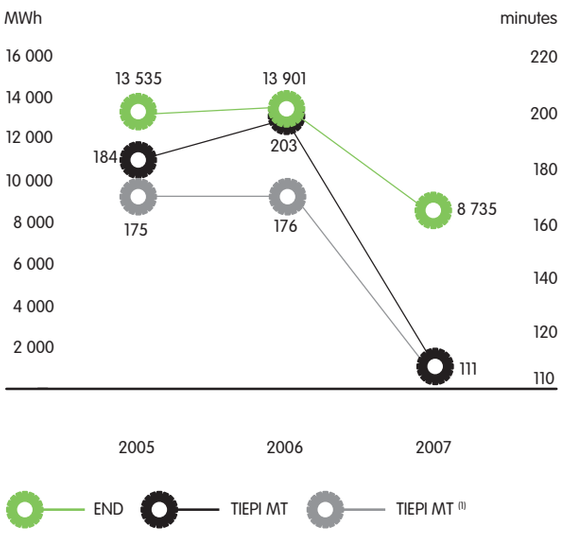
2.3.1. Technical service

The main aspects by geographical area are as follows.

a) Portugal

Technical service quality measured by installed capacity equivalent interruption time (TIEPI) totalled 111 minutes, which is substantially lower than in 2006 (176 minutes). This can be attributed in part to the fact that there were no adverse weather conditions.

Technical quality indicators for electricity supply in Portugal



Note: See glossary for definitions of indicators
(1) No extraordinary effects

The remaining technical service quality indicators followed the favourable development in TIEPI. A more detailed analysis of these indicators is available on www.edp.pt

b) Spain

There were also no significant incidents in quality or continuity of electricity supply in Spain. There was therefore a highly appreciable improvement in technical service quality, as measured by installed capacity equivalent interruption time (TIEPI), which was 59 minutes, the company's best ever.

Installed Capacity Equivalent Interruption Time (min)

c) Brazil

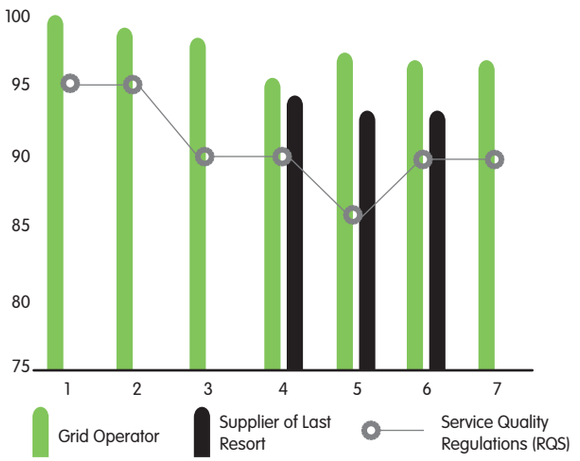
The quality indicators of the three EDP Group distributors were within the reference figures set by the Brazilian regulator (ANEEL), maintaining the improvements of recent years thanks to substantial investment in improvements to the electricity distribution grid (BRR 376 million). This investment also went towards reducing commercial losses. Information on compliance with requirements is given by the indicators on equivalent interruption time per customer (hours) and equivalent interruption frequency per customer (times). For more detail please go to www.edp.pt

2.3.2. Supply service

a) Portugal

Levels of quality of service provided to customers by the distribution grid operator remained high, as shown by clear compliance with the general quality of supply service indicators in the Service Quality Regulations, as shown in the figure below. The figures were also above those required by the regulations for monitoring the quality of service provided by the supplier of last resort.

General quality indicators of supply service in Portugal, 2007



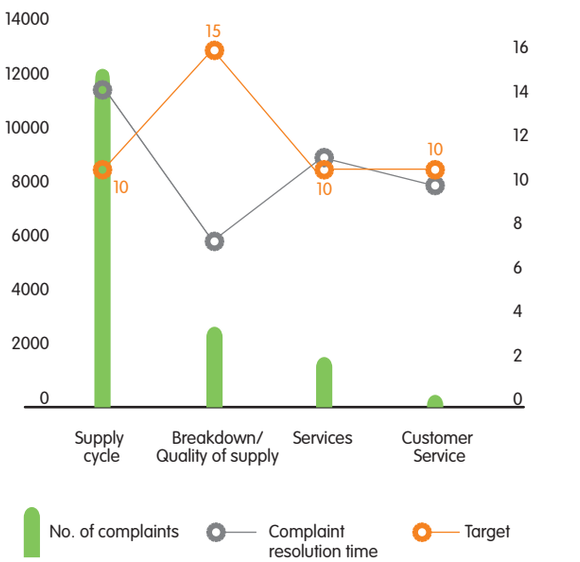
b) Espanha

Spain

In 2007, customers' appreciation of the service improved from 4.2 to 5, thanks to 77.7% of calls answered in under 20 seconds and a hang-up rate of 3.9%.

Our customer-care centres were also renovated, which was ref ected by an improvement in the quality of supply service indicator from 4.3 to 5.

Supply complaints in Spain



Stakeholders

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c) Brazil

In spite of investments in improving the electricity distribution grid, there was an increase in the three distributors' supply loss figures. These investments involved 703,799 inspections in the field leading to the replacement of 58,549 pieces of equipment and the regularisation of 218,592 clandestine customers.

Please go to EDP's website for more details of these supply losses.

2.4. Special customers

At the close of 2007 we had 553 registered special-needs customers in the Iberian Peninsula (around 9% more than in 2006). Most of them are dependent on life-support equipment. Approximately 90% of them are in Portugal.

The number of customers in Portugal with a social tariff increased 39% against 2006 to 5,359 customers.

2.5. New services

2007 witnessed major changes in the energy sector. EDP reorganised its business, developing innovative products, and committed to being a company of excellence, not only from a supply point of view, adapting its structure to the needs of customers and the market, but also by deepening its commitment to sustainable development.

EDP ELECTRONIC BILLING

Electronic bills were introduced in the second half of the year in Portugal. Customers can subscribe to this new service on our website. It will be available through our call centre and stores in 2008.

In Spain, 18,000 contracts have already subscribed, which ref ects a saving of 108,000 hard-copy bills. A points system has been associated with this service. The points awarded to subscribing customers go towards social support for communities.

The following are some of the most important projects undertaken last year:

- Introduction of the supplier of last resort (CUR);
- Reformulation of communication channel strategy to promote better quality of service, including the incorporation of new contact technologies in customer management (text message, e-mail);
- **edpOnline** – a web channel for advertising the company's services for the liberalised market ;
- Initiatives to respond to new business needs, such as micro-generation, telemetering, regulatory changes, etc.;
- Promotion of the electronic invoice.

ECO BILL– IMPACT ZERO

In 2007, we began a project with Instituto Superior Técnico to compensate for all environmental impacts resulting from the production and mailing of monthly bills to all customers in Portugal. This project will continue from 2008 to 2010.

After analysing the bill life cycle and counting around 36 million envelopes and 41 million A4 sheets distributed during the year, we found a variety of environmental impacts. They were offset by the following initiatives in the field:

- Direct seeding with effects on all issues due to saving of operations;
- Better water management thanks to irrigation advice systems ensuring that consumption is appropriate to crops' needs;
- Acquisition of emission credits on the international market for the part not offset by direct seeding;
- Protection of nests of steppe birds whenever above projects proved insufficient.

MY ENERGY
MICROGERAÇÃO edp

Of the initiatives under way, a special mention goes to the **My Energy** programme, a new brand created by EDP to meet the challenges of energy efficiency for micro-generation products (or electricity distributed). This programme provides customers with an energy audit for hot water from solar power, after which the best solution is recommended, guaranteeing product quality, the installation of equipment, after-sales service and maintenance to take maximum advantage of the system.

2.6. Access to electricity

In Portugal, EUR 881,000 was invested in the construction of around 165 km of MV line and 75 km of LV line in 2007, as part of the AGRIS programme Rural Development Plan.

In Brazil, the main aim of the **Luz para Todos** (Light for All) Programme is to supply electricity, especially to the rural population. This project totalled BRR 71.5 million in 2007.

In addition to their energy supply, these families received an electric installation kit containing equipment encouraging efficient electricity consumption.

Clandestine Regularisation Programme

In Brazil we continued this project, which began in 2005. The main goal is to ensure a safe, high-quality electricity supply and promote its rational use among low-income customers. The first stage in the programme resulted in the regularisation of more than 12,600 clandestine connections and included the replacement of 274,735 incandescent light bulbs by compact f uorescent bulbs and care given to 61,150 customers. This action resulted in an energy saving of 18,918 MWh/year. At the end of the second phase, which is currently under way, we estimate an increase in energy saving of around 6,415 MWh/year.

2.7. Commitments

Goal	Status	Target
Systematic telemetering at free market, normal low voltage customers in Portugal	Ongoing	2008
Electronic billing project and integration with Via CTT	Completed	
HC Energía electronic billing project	Completed	

As planned Ongoing but behind schedule New

Stakeholders

07

3. SHAREHOLDERS

3.1. EDP on the capital market

EDP has been quoted on Euronext Lisbon since 1997. In the first half of 2007, EDP announced the withdrawal from trading of its American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE), the cancellation of its registrations and the termination of its obligation to disclose information under the U.S. Securities Exchange Act of 1934.

Following the seventh phase of its reprivatisation, EDP has had 3,096,222,980 ordinary shares with a face value of EUR 1.00 admitted to trading since December 2007.

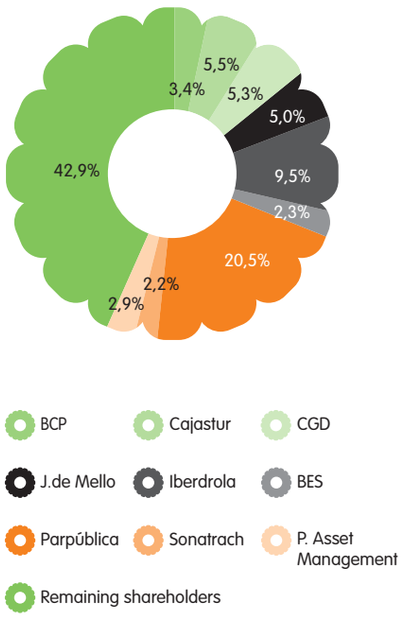
In 2007, EDP was the company with the largest relative weight in the PSI-20, the Euronext Lisbon index, representing around 16.25%. EDP is one of the six Portuguese companies represented on the Euronext 100 index with a share of around 0.786%.

EDP shares are also included on several European indices, such as the Dow Jones Eurostoxx Utilities, which is based on the market performance of the main, most representative European companies in the utilities sector.

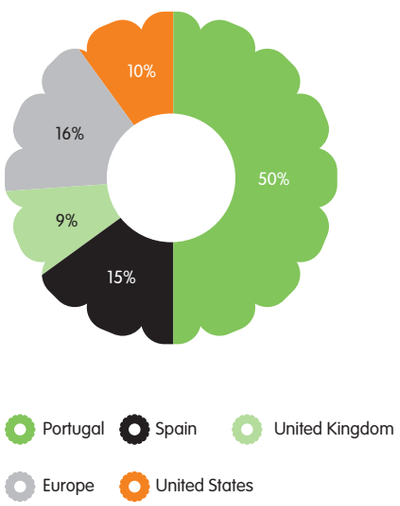
3.2. Shareholder structure

EDP's shareholder structure is diversified in terms of shareholders and geographical regions, as shown in the graphs below.

Shareholder structure



Geographical division of shareholder structure



3.3. Stock exchange performance

In December 2007 the market value of the EDP Group was EUR 16.3 billion, EUR 2.3 billion more than in 2006.

In 2007, the price of EDP's shares rose around 16.4% from EUR 3.84 to EUR 4.47.

The AGM in March 2007 decided on the distribution of EUR 402.2 million in dividends to shareholders. This represented a gross dividend payment of EUR 0.11 per share, i.e. earnings per share of 10%.

3.4. Dialogue

EDP follows a strategy of financial communication in line with good corporate governance practices for listed companies.

EDP's Investor Relations Department plays an important role in pursuing this goal. Its main remit is to act as an interlocutor between EDP's Executive Board of Directors and investors and financial markets in general. As part of its normal duties, it is responsible for all the information provided by the EDP Group including not only the disclosure of inside information and other market communications but also the publication of periodic financial statements.

EDP also emails relevant information on the company to shareholders and other stakeholders.

In 2007, 107 communiqués were released, several meetings were held and roadshows organised in a total of 13 presentations to analysts, shareholders and investors.
An announcement was made on 22 January presenting the 2007-2010 business plan, focusing on a goal for an annual average growth in dividends of 11% between 2005 and 2010.

For more detailed information on the above points, please read the chapter Corporate Governance in the Institutional Report.

Stakeholders

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4. SUPPLIERS

4.1. Description

Our relationships with suppliers are based on the principle of partnerships fostering ongoing improvement in performance. Selection abides by a clear, transparent, objective policy aimed at developing win-win partnerships. EDP has developed active information practices with its suppliers with regard to the values in its Code of Ethics, in order to highlight the importance of integrity in business strategy.

These practices are followed in the different regions in which we operate, especially the Iberian Peninsula, where we belong to REPRO, a supplier registration system managed by a number of companies, including those operating in the electricity sector.

EDP has no positive discrimination policy favouring local contracts. Of the suppliers with a total annual value of goods and services supplied over EUR 75,000 (349 in the Iberian Peninsula), 46% in Portugal and 75% in Spain underwent specific qualification procedures.

4.2. Dialogue

We believe in stimulating corporate capacity and improving suppliers' procedures in order to:

- foster technical competence and a competitive market;
- keep up relations of integration and cooperation;
- foster permanent, open dialogue enabling us to ascertain the expectations of this important group of stakeholders.

EDP provides suppliers with different communication channels, including its website, www.edp.pt >Partners>Suppliers

In Portugal, we conducted a sustainability survey of 220 suppliers and are planning awareness campaigns in this field for our main suppliers in the first half of 2008.

4.3. Good practices

All EDP Group companies have a supplier registration scheme accessible on their websites. In addition to special qualification for some calls for tender, suppliers registering on the website must provide information on quality systems, the environment, safety, productivity initiatives, innovation, new technologies and cost reduction opportunities.

When awarding new contracts, we favour suppliers with good environmental and social practices. As result, 22% of suppliers in Portugal and Spain that have supplied goods and services worth more than EUR 75,000, corresponding to 73% of turnover, have certified environmental management systems and employ more than 73,000 people.

In Portugal, there are mechanisms for preventing the use by our suppliers of employees without legal papers. In addition, the EDP new Code of Ethics regulations will include incentives to respect human rights throughout the company's value chain.

In order to help suppliers of services to fall in with EDP's operating procedures, vocational training courses were held for outside entities working for the Group in Portugal. There were 106 courses and 880 trainees totalling 16,009 hours per trainee, 41% of which was training in safety and accident prevention.

EDP has an online system for sharing market and supplier information – "Sinergieconnect – Partnership with Suppliers". This system has been implemented at all Group companies and serves as a base for all consultation and negotiation processes worth over EUR 75,000. Its main aims are cost reduction, gains in efficiency and stronger ties with EDP Group suppliers. This innovative project won the World Business Research Procureon for Innovation Award 2007.

4.4. Commitments

Commitment	Status	Target
Automatic processing of 80% of all suppliers' invoices by the close of 2009	Ongoing	2009
Circulation of Code of Ethics to new suppliers	Completed	
Completion of expansion of electronic communication with EDP Produção suppliers	Ongoing	2008

As planned Ongoing but behind schedule Not done

Stakeholders

07

5. THE COMMUNITY

5.1. Dialogue

The EDP Group devoted particular attention to communication with all stakeholders.

The publication of this report is a first in Portugal and shows EDP's commitment to the internal control not only of business but also environmental and social indicators. It is posted on **www.edp.pt/sustentabilidade/relatórios** on a quarterly basis.

Highlights:

- Publication of the new ON magazine. Although this edition is for EDP personnel, it is also distributed to different partners – «municipal councils, the media, schools, etc.;
- Launch of communication channels on sustainability. Examples are Canal ONG in Portugal, which seeks to ensure a clear, rapid, efficient dialogue with non-governmental organisations (NGOs) showing an interest in the company's activity and Canal Sustentabilidade in Brazil, which explains and takes suggestions on the company's sustainability initiatives;
- Sustainability Area in EDP's head office building. This area has been set up to communicate with different audiences, presenting and discussing sustainable development issues;
- Participation as speakers in seminars, conferences and public meetings on sustainability issues, such as renewable energies, CO_2 saving, biodiversity, and energy efficiency, among others.

5.2. Local communities

Dialogue with and proximity to local communities have been a practice of ours for a long time. We are aware of the importance of the local populations to the success of our business and the impacts that our activities have on their lives.

Our facilities have an open-door policy and receive countless visits from the local population during the year.

Sponsorships and patronage of the arts are also an important vehicle for the company in its relations with local communities. An example of this was the donation of two vehicles to the Seia Voluntary Fire Brigade and one vehicle to the Cabeceiras de Basto Voluntary Fire Brigade in Portugal.

Folow-up measures are being taken in areas where we are undertaking new projects impacting on local communities and we have opened direct communication channels to assess how far their expectations have been met (see box).

LOCAL COMMUNITIES IN PEIXE ANGICAL

As a result of the construction of the Peixe Angelical hydroelectric power station, a programme to rehouse 87 rural families has been under way since 2006. It includes the construction of new homes on single-family plots, water and electricity supply and farmland. The scheme has also been extended to neighbours not living in the affected area.

There are other projects in progress during this three-year process, such as technical farming assistance and the construction of a community facility.

Also in Brazil, we have developed the concept of social carbon at the new Mascarenhas power station in Espírito Santo. Under this project, part of the revenue from the sale of CO_2 avoided by the operation of this hydroelectric power station will be used in social and environmental projects. There have been public information sessions in the communities adjacent to the complex.

This method, which was adopted for the first time in Brazil by an electricity company, combines in the same project issues related to sustainability of the environment, working conditions, job creation, distribution of income and technological development.

5.3. Authorities and regulators

The nature of our activities requires close, permanent relationships with different government bodies.

Due to their geographical dispersal, distribution activities play an active part in public discussions held prior to the adoption of new spatial planning instruments in order to guarantee the expansion of electricity distribution grids in the national interest.

Generation activities, on the other hand, depend on demand and national or European supply security goals, diversification of supply and environmental quality. In these fields, the dialogue is on a national or European scale, once again through the issue of opinions in response to new regulatory proposals put up for public debate or through our participation in Eurelectric, the Union of the Electricity Industry.

Finally, it is imperative to mention the importance of the regulation mechanisms to which our sector is subject. We maintain a constructive, collaborative relationship with the different regulators.

5.4. Society

EDP accepts its mission of contributing to quality of people's life and environment, improving their lives and fostering optimism and social dynamism and strengthening the ties with local and national communities in the different countries in which it operates.

EDP devoted special attention to increasing the number of community-oriented social actions and programmes in 2007, particularly through its Foundations.

Health and social solidarity, science and education, the environment, culture and sport are our main areas of intervention.

The amount returned to society in 2007 is shown on page 40.

5.4.1. Health and Social Solidarity

In fulfilment of one of our commitments made for 2007, health and social solidarity were areas that received special attention and investments from the company. The following are examples of some of the most important activities:

EDP Solidária Prize – we were sent around 200 applications and selected five social projects to receive a total of EUR 315,000 for their work in the community and the number of beneficiaries they reach.

- Portuguese Cancer League (EUR 100,000)
- Centro Social Paroquial S. Silvestre do Gradil (EUR 100,000)
- Comunidade Vida e Paz, (EUR 75,000)
- PROSAUDESC – Associação de Promotores da Saúde, Ambiente e Desenvolvimento Sócio-Cultural (EUR 30,000
- Escola Básica 1/JI Cova da Moura (EUR 10,000)

More information on support granted is available on www.edp.pt > Sustainability > Community

There were also other, innovative iniatives:

Alfredo da Costa Maternity Hospital – "One Euro for One Life", a joint initiative with RTP and Antena 1 to raise funds to reequip the Neonatal Intensive Care Unit.

Stakeholders

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Comunidade Vida e Paz – sponsorship of the Espírito Santo Rehabilitation Centre for energy efficiency and renewable energies in the remodelling work.

Coimbra Hospital – Biomedical Simulation Centre – support, with the Gulbenkian Foundation, for the Anaesthesiology Department's project, a first in Portugal and one of the most innovative scientific fields in medicine world wide.

Portuguese Cerebral Palsy Association – sponsorship of its sporting activities involving EDP volunteers and players from the Benfica, Sporting and FCP football teams for FutStars (the first on 24 July).

Futstars Event – as part of the "Happiness Mission" involving two organisations for the disabled (AFID and APPC) attended by Sporting and Benfica players and with the participation of Associação Narizes Vermelhos in the Greenfield facilities.

Lisbon Cancer Hospital – funding for the purchase of new equipment with the publication of the book Croniqueiros e Politiqueiros by Antônio de Almeida, in partnership with the Berardo and Horácio RoqueBody Foundation, this time for 2006.

5.4.2. Science and Education

In line with the company's business strategy, science and education are two fundamental pillars for the development of future generations.

This is why EDP is constantly holding dialogues and providing support in this area. Examples are:

University Challenge 2007 – a challenge to marketing students in Portugal to develop a renewable energy marketing project, in which we received 38 projects involving 170 students and 16 lecturers.

The winning project, entitled "Developing a Business Strategy – Solar Energy", was submitted by a group of ISCTE students, who received a EUR 6,000 study grant and an internship in Portugal, Spain or Brazil for all.

Sponsorship of **Conferences and Seminars** in the field of science, technology, innovation, social sciences, etc, mostly organised by research establishments and schools at different levels, of scientific publications and sessions attended by personalities of recognised merit in Portugal and abroad. This covers Portugal, Spain and Brazil.

In Brazil, the "Letras de Luz" project in partnership with the Victor Civita Foundation encourages children and teenagers to read in 51 municipalities in the company's area of operation, using workshops, theatre and donations to libraries.

In Spain, there is a special programme at Universidad de Oviedo providing six-month internships. The contract can be terminated up to one year. These students are from different academic areas ranging from science and technology to humanities.

5.4.3. Culture

The company's fundamental commitment to culture focuses on contemporary arts, of which it has a large, recognised collection, with patronage and partnerships particularly in the fields of dance, music, art and literature.

EDP sponsored the **New 7 Wonders of the World** and the creative **"7 Maravilhas"** project based on concepts like light electricity and renewable energies in different expressions of art, 7 musicians, 7 painters and 7 photographers. The initiative will last from July 2007 to May 2008.

Prémio EDP Novos Artistas – this contest is open to artists and we received 376 entries, nine of which won prizes. The works were exhibited at the Freixo Power Station. The prizes are used for vocational training, study trips and the purchase of materials for new works.

Orquestra Sinfónica Juvenil – EDP is the sponsor of this youth orchestra in order to encourage new talents.

Sole sponsor of Companhia Nacional de Bailado for about 10 years – the ballet company went international in 2007, performing in Moscow and Thailand

There were 12 exhibitions of art, architecture and photography at the Electricity Museum in Lisbon in 2007.

5.4.4. Environment

FUNDACIÓN HIDROCANTÁBRICO COLLABORATES IN REPOPULATING ASTURIAN RIVERS WITH FISH

Fundación Hidrocantábrico is collaborating in a campaign to repopulate the rivers in Asturias with fish, including the release of 100,000 trout alevins at different points in the River Nalón. In addition, around 40,000 were released in the Rivers Noreña and Nora in 2007.

In Portugal, EDP is the main sponsor of Fluviário de Mora, where we find different types of habitat and creatures living in Portuguese rivers. We can see some species no longer found in our rivers, like the sturgeon and other, endangered species like the Anaecypris hispanica.

Energias do Brasil is widely involved in protecting biodiversity and the landscape. One example of efforts in this area is Enersul, which is located in one of the planet's most important hotspots for the conservation of biodiversity, Pantanal.

The different activities include the "Arborizando com Responsabilidade" (Responsible Tree-planting) Programme, the ENERSUL/ASSOMASUL agreement in partnership with the Brazilian State Secretariat for the Environment, aimed at compatibility between electricity distribution grids and local fauna and f ora. The programme is based on environmental education for young people from Mato Grosso to raise their awareness of the dangers of inappropriate tree planting and teaching them the best species to use in the state.

5.4.5. Sport

Sport is a way of improving and protecting the health of our employees and the general public and bringing different generations together. The sports that EDP sponsors not only fulfil these goals but also cover the whole country encouraging people to do sports that are accessible to all (athletics, cycling, etc). Most of them support a cause. The main events were:

- The Ponte 25 de Abril and Ponte Vasco da Gama marathons, Corrida das Festas da Cidade do Porto, Corrida da Mulher, in favour of causes like breast-cancer screening units for the Portuguese Anti-Cancer League, Portuguese Cerebral Palsy Association and Casa do Regaço, Póvoa do Varzim, an institution for children at risk.

- Fundação EDP sponsored ANDDEM – Associação Nacional do Desporto para a Deficiência Mental (National Sports Association for the Mentally Disabled) to enable the national champion to participate in the world athletics championship.

ENERGIAS DO BRASIL RENEWS ITS POSITION IN THE BOVESTA CORPORATE SUSTAINABILITY INDEX – For the second year running, the company figures in this Brazilin index of companies committed to sustainability practices.

HC Energía WINS THE CALL CENTER DE OURO 2007 AWARD. This award is for quality of service and implementation of the quality standard "Centros de Relación con Clientes" (CRC). According to this standard, the HC Energía Customer Care Centre meets all requirements of accessibility and quality in managing customer queries and also provides an excellent work environment.

HC was a finalist at the Salón Profesional del Call Center y las Soluciones CRM (Gestión de Relación con el Cliente), in which Spain's most important companies participated.

MOST FAMILY-RESPONSIBLE COMPANY AWARD. «EDP won the Most Family-Responsible Company Award from AESE – Escola de Direcção de Negócios and Deloitte in the large company category. It is given in recognition of best practices in the field of family policies by companies in Portugal, such as f exitime, social benefits and corporate policies on support for employees and their families.

CRRA Reporting Awards 2nd RUNNER UP Best Carbon Disclosure

EDP'S 2007 SUSTAINABILITY REPORT WINS SECOND PRIZE IN THE CARBON DISCLOSURE category in the CR Reporting Awards.

ENERGIAS DO BRASIL CONSIDERED BEST COMPANY IN CORPORATE GOVERNANCE Energias do Brasil was chosen by ISTO É Dinheiro magazine from a list of 36 companies as best company of the year in corporate management in the electricity sector.

PUENTE DE ALCÂNTARA AWARD EDP's Engineering Department won this award for the Alqueva Hydroelectric Power Station.

BEST SUSTAINABILITY REPORT For the fifth year running, EDP won the prize for the best sustainability report, this time for 2005. The prize was awarded by the Association of Certified Auditors.

ENERGIAS DO BRASIL ANNUAL REPORT 2006 WON THE SILVER MEDAL IN THE ANNUAL REPORT CATEGORY of the 16th Theobaldo de Nigris Latin American Graphic Product Competition, which involved 11 countries and received 1,341 entries. The annual report used high-whiteness recycled paper and hot stampings with the company logo on all pages. Innovation was decisive in the award of the medal.

PROCURECON AWARD FOR INNOVATION 2007 – EDP received this World Business Research prize for excellence in procurement, in the innovation category, Sinergie project – Supply Integration Award. This project is based on a philosophy of sharing information and suppliers in a centrally coordinated strategy using the internet.

RISK MANAGEMENT AND PREVENTION PRIZE The work submitted by EDP on "Preventive management of service providers" won third place among the many, interesting entries in the 8th Henrique Salgado Risk Management and Prevention Prize promoted by the insurance company Tranquilidade.

CAMPÂNULA MUNICIPAL DE MÉRITO AMBIENTAL EDP received the Campânula Municipal de Mérito Ambiental for environmental merit from Seia Municipal Council. The medal acknowledges EDP's contribution to nature conservation and environmental defence in the municipality.

CITIZENSHIP AWARD FOR COMPANIES AND ORGANISATIONS For the second year running, we won the Citizenship Award for Companies and Organisations promoted by PricewaterhouseCoopers and AESE – Escola de Direcção e Negócios. It is awarded to the most successful companies in applying the economic, social and environmental components of their social responsibility policies.

edp5D

CLUBE DE CRIATIVOS PRIZE EDP's latest brand, edp5D, won the Clube de Criativos silver award in the Corporate Image category and the bronze for Motion Graphics.

ONE OF THE BEST COMPANIES TO WORK FOR We were considered one of the best companies to work for in Portugal by Heidrick & Struggles, who assessed the organisational climate in 250 companies and chose the top 28. A EDP was considered third best of the PSI-20 companies and the 10th best company to work for.

BEST OF EUROPEAN BUSINESS We were awarded the Roland Berger Strategy Consultants Best of European Business prize in the Cross-border M&A category. Roland Berger assessed the performance of around 8,000 companies.

sam 2008 silver class

EDP GETS SILVER FOR SUSTAINABILITY. SAM gave EDP the silver medal for sustainability performance in the electricity sector along with its Spanish counterparts Endesa, Rede Eléctrica de España and Union Fenosa

BANDEIRANTE RECEIVES PROCEL PRIZE Bandeirante Energia received the Procel Prize for energy conservation in the large distributor category for its project "Traffic Light Efficiency". The purpose of the prize is to encourage segments of society to implement measures to reduce electricity consumption.

BANDEIRANTE RECEIVES TOP SOCIAL PRIZE For the third year running, the group company won with its Bandeirante Education Community Programme. The programme was set up in 2001 in partnership with the local authorities and volunteer work by company employees. It involved around 20,000 municipal- and rural-school students in Alto Tietê, Vale do Paraíba and Litoral Norte de São Paulo. Its activities include book, oral hygiene, school kit, warm clothes and school vegetable garden campaigns, kite-f ying workshops, theatre, etc.

Stakeholders

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5.6. Partnerships and organisations

Our active public participation in organisations addressing the issues of sustainability enables us to follow a path that we believe is the only one leading to the company's continuous adaptation to society's demanding expectations of our performance. We therefore make a public commitment to support the guidelines of each organisation to which we belong, not only abiding by them but also encouraging their application.

There is a list of the main organisations to which we belong on www.edp.pt > Sustainability > Community > Participation.

5.7. Assistance to developing countries

Fundação HC is one of the 16 sponsors of Energias sin Fronteras that, in collaboration with local organisations, undertake electrification and potable-water collection and treatment projects, especially in community centres in Sub-Saharan Africa, Central America and the Andes region.

As part of its assistance to Africa, EDP and ENE – Empresa Nacional de Electricidade de Angola signed an agreement on the exchange of experience, as EDP can make a significant contribution to the development and restructuring of ENE. In 2007, we received visits from several delegations of top-management staff in charge of generation, recovery of infrastructures, management models and company culture.

5.8. Volunteer work

Through Associação Júnior Achievement de Portugal, EDP organised its employees' volunteer work at primary and secondary schools in the Greater Lisbon area, helping children and teenagers to understand entrepreneurship, the taste for risks, creativity and innovation (see page 74).

"Puntos HC responsables"

In 2006, HC Energía in Spain introduced responsibility points. HC points that customers get from the company can be donated to aid projects.

Fundación Hidrocantábrico made a commitment to give another for every point donated, thereby doubling the quantity for these projects. In 2006, HC Energía customers donated 617,000 responsibility points and 1,827,000 in 2007. The NGOs receiving the aid were Nuevo Futuro, Cocina Económica, Energia Sin Fronteras, Cruz Roja and Fundación Oso.

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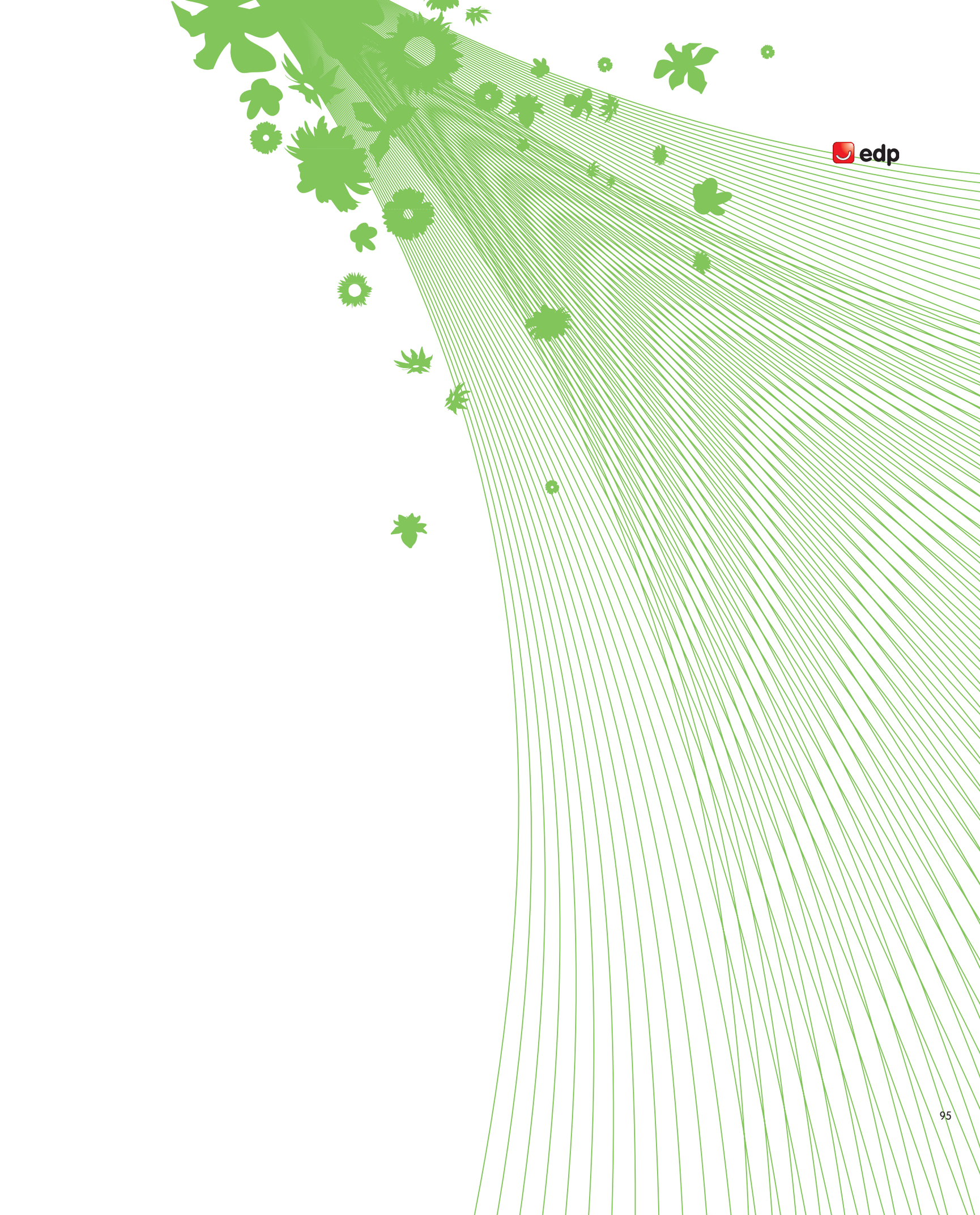

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1. GRI EVALUATION

The EDP 2007 Sustainability Section has been drawn up on the basis of the Global Reporting Initiative guidelines. There is a more detailed table of GRI indicators, which considers the indicators provided for in the draft version of the Supplement for the Electricity Sector, on www.edp.pt. > Sustainability > Reports

IR – Institutional Report **FR** – Financial Report **ARGSB** – Annual Report of the General Supervisory Board **n.a.** – not applicable **n.d.** – not available

SIMPLIFIED EDP GRI TABLE

		Source of information	Global Compact Source of information
1.	**STRATEGY AND ANALYSIS**	5-8; 24-28	
2.	**ORGANIZATIONAL PROFILE**	14-15; 19-21; 90-91; 110	
3.	**REPORT PARAMETER**		
	Report Profile	14-15; 110	
	Report Scope and Boundary	14-15; 20; 68; 104-110	
4.	**GOVERNANCE**	IR: 125-160; ARGSB	
	Commitments to External Initiatives	21; IR: 105-111	
	Stakeholder Engagement	68	
ECONOMIC PERFORMANCE			
EC1	Direct economic value generated and distributed	12-13; 39	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	26-27; 46-50	
EC3	Coverage of the organization's defined benefit plan obligations.	39; 40	
EC4	Significant financial assistance received from government.	12	
MARKET PRESENCE			
EC5	"Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation"	n.d.	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	39; 84-85	
EC7	"Procedures for local hiring and proportion of senior management."	70	
INDIRECT ECONOMIC IMPACTS			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	86-89; 92	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	39-42	
ENVIRONMENTAL PERFORMANCE			7, 8, 9
MATERIALS			
EN1	Materials used by weight or volume.	12	7, 8
EN2	"Materials used that are recycled input materials"	None	
ENERGY			
EN3	Direct energy consumption by primary energy source.	12; 52	7
EN4	Indirect energy consumption by primary source.	48; 62	
EN5	Energy saved due to conservation and efficiency improvements.	51-53	9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	50-53; 80	9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	n.a.	

Essential indicators

		Source of information	Global Compact Source of information
WATER			
EN8	Total water withdrawal by source	12; 62	8
EN9	"Water sources significantly affected by withdrawal of water"	12; 62	
EN10	Percentage and total volume of water recycled and reused.	0%	7
BIODIVERSITY			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	56	7, 8
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	55-57	
EN13	Habitats protected or restored.	55-57	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	28	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	n.d.	
EMISSIONS, EFFLUENTS AND WASTE			
EN16	Total direct and indirect greenhouse gas.	13; 47-48	8
EN17	Other relevant indirect greenhouse gas emissions by weight	13; 48	
EN18	Initiatives to reduce greenhouse gas emissions	47-49	
EN19	Emissions of ozone-depleting substances by weight.	Immaterial [1]	
EN20	NOx, SOx, and other significant air emissions	13; 60-62	
EN21	Total water discharge by quality and destination.	EDP facilities 2007 [2]	
EN22	Total weight of waste by type and disposal method.	12; 63; www.edp.pt	
EN23	Total number and volume of significant spills.	63	
EN24	Quantity of waste transported under the terms of the Basel Convention	13; 63	
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	n.d.	
PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	59-60; 80	7
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	n.a. [3]	
COMPLIANCE			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	12	8
TRANSPORT			
EN29	Significant environmental impacts of transporting products	55; 64	7
ENVIRONMENTAL INVESTMENTS			
EN30	Total environmental protection expenditures and investments by type	12; 42	7, 8, 9
SOCIAL PERFORMANCE			
EMPLOYMENT			
LA1	Total workforce by employment type (part- or full-time), employment contract (part- or full-time) and region	69-70	6
LA2	Total number and rate of employee turnover by age group, gender, and region.	69-70	6

[1] The only source of emission of ozone-depleting substances identified by the company is older air-conditioning systems in office buildings. The company is currently replacing these systems, of which there already only a few left in the Group.
[2] On-line version, www.edp.pt>Reports
[3] The products sold by the company (electricity and gas) are not packed.

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		Source of information	Global Compact Source of information
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	72-73	6
LABOR/MANAGEMENT RELATIONS			
LA4	Percentage of employees covered by collective bargaining agreements.	72	1; 3
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	72	1; 3
OCCUPATIONAL HEALTH AND SAFETY			
LA6	"Percentage of total workforce represented in formal health and safety committees"	n.d.	
LA7	Types of injury, lost days, absenteeism, and number of work-related fatalities (including subcontracted workers) by region	74-75	1
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	74-75	
LA9	Health and safety topics covered in formal agreements with trade unions.	n.d.	
TRAINING AND EDUCATION			
LA10	Average hours of training per year per employee by employee category.	13; 71	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	69-72	6
LA12	Percentage of employees receiving regular performance and career development reviews.	100%	
DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	70	2; 6
LA14	Ratio of basic salary of men to women by employee category	69-70	2; 6
INVESTMENT AND PROCUREMENT PRACTICES			
HR1	"Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening "	84-85	1
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	84-85	1
HR3	"Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees that are trained "	0%[4]	1
NON-DISCRIMINATION			
HR4	Total number of incidents of discrimination and actions taken	32	1; 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights.	72	1; 3
CHILD LABOR			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Code of Ethics www.edp.pt	1; 5
FORCED AND COMPULSORY LABOR			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	Code of Ethics www.edp.pt	1; 4

Essential indicators

[4] If we exclude accident prevention and safety awareness campaigns

		Source of information	Global Compact Source of information
SECURITY PRACTICES			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	n.d.	1
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	0%	
COMMUNITY			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	81; 86; 92	
CORRUPTION			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	32; IR: 105-109; 142; www.edp.pt	10
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	0%	10
SO4	Actions taken in response to incidents of corruption.	32; IR: 157	10
SO5	Public policy positions and participation in public policy development and lobbying	87	10
PUBLIC POLICY			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Code of Ethics www.edp.pt	10
ANTICOMPETITIVE BEHAVIOUR			
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust and monopoly practices and their outcomes	0	10
COMPLIANCE			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	12 [5]	
CUSTOMER HEALTH AND SAFETY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	13; 74-75; 80	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	0	
PRODUCT AND SERVICE LABELING			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not implemented [6]	
PR4	"Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes "	n.d.	
PR5	Practices related to customer satisfaction, including results of surveys on the subject	77-79	
MARKETING COMMUNICATIONS			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	None	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	None	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	n.d.	
PR9	Monetary value of (significant) fines for non-compliance with laws and regulations concerning the provision and use of products and services	12 (*)	

[5] The monetary value of the EDP Group's fine is negligible and so it is not worthwhile breaking it down into categories.
[6] Although there are EU directives and national legislation on the subject (published in 2007), the process is still in the implementation phase on a national scale. When marketing green energy, EDP voluntarily provide its customers with information on the energy source used involving no CO_2 emission. The same applies to the liberalised market component in Portugal.

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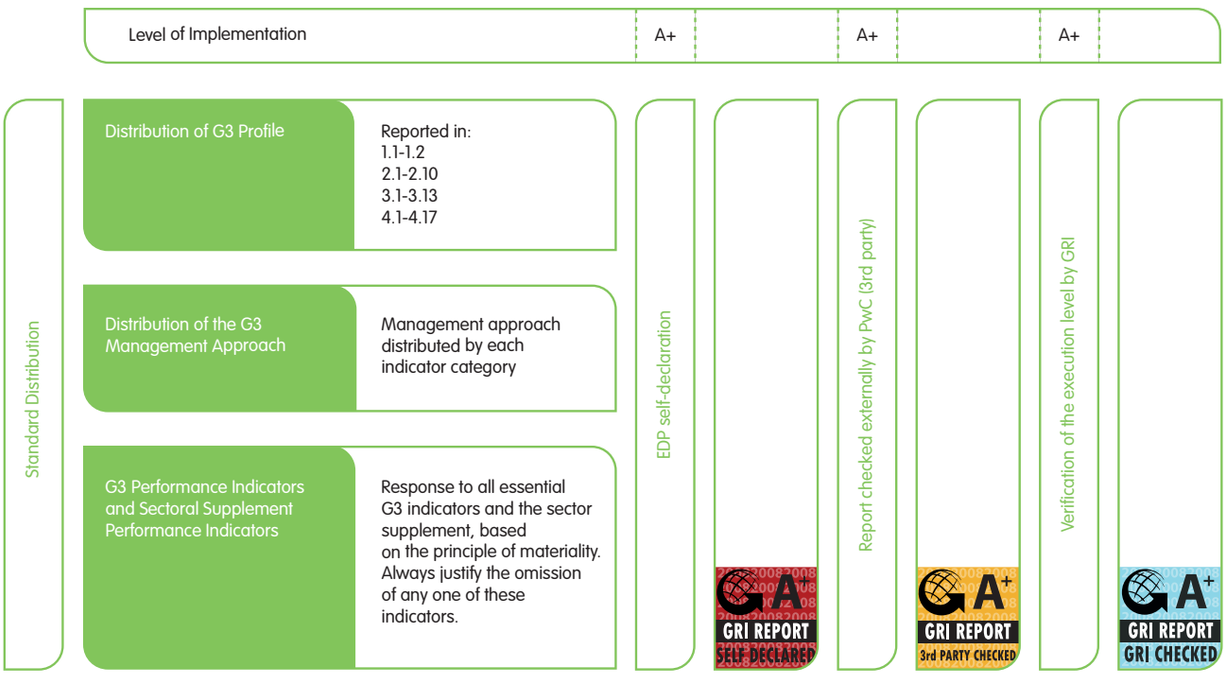
The level of reporting achieved was A+, as confirmed by PricewaterhouseCoopers and the Global Reporting Initiative.
Complete information for this level of reporting on www.edp.pt>Sustainability>Reports



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PRICEWATERHOUSECOOPERS

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Ao Conselho de Administração da
EDP – Energias de Portugal, S.A.

Relatório de verificação independente do Relatório de Sustentabilidade de 2007

Introdução

Fomos solicitados pela EDP – Energias de Portugal, S.A. (EDP), para procedermos à verificação independente do "Relatório e Contas 2007 – Caderno de Sustentabilidade" (Relatório), no que se refere à informação relativa às actividades de produção e distribuição de electricidade e de distribuição de gás em Portugal, Espanha e Brasil. A verificação foi efectuada de acordo com as instruções e critérios definidos pela EDP, referidos e divulgados no Relatório, e com os princípios e a abrangência descritos no Âmbito.

Responsabilidades

O Conselho de Administração da EDP é responsável pela preparação do Relatório e divulgação da informação de desempenho apresentada e seus critérios de avaliação bem como pelos sistemas de controlo interno, processos de recolha, agregação, validação e relato da mesma. A nossa responsabilidade consiste na elaboração de um relatório contendo o nosso parecer sobre a adequação daquela informação baseado nos procedimentos de verificação independente que efectuámos para a EDP e por referência aos termos acordados. Não assumimos qualquer responsabilidade perante qualquer outro propósito, pessoas ou organizações. Qualquer utilização que venha a ser feita por qualquer terceiro dos dados deste relatório é da sua inteira responsabilidade e risco.

Âmbito

Os nossos procedimentos de revisão foram planeados e executados de acordo com o *International Standard on Assurance Engagements 3000* (ISAE 3000), e com referência ao *Global Reporting Initiative*, versão 3 (GRI3), de forma a obter um grau moderado de segurança sobre a adequação da informação de desempenho supracitada bem como dos sistemas e processos que lhe servem de suporte. A extensão dos nossos procedimentos é menor que a de uma auditoria e, por consequência, o nível de fiabilidade é mais baixo, consistindo em indagações e testes analíticos e algum trabalho substantivo.

Relativamente à verificação da autoavaliação feita pela gestão dos níveis de conformidade do GRI3, o nosso trabalho consistiu na verificação da razoabilidade de consistência com os requisitos da *GRI´s Reporting Framework Application Levels*.

Nesta verificação independente, os nossos procedimentos consistiram em:

(i) Indagações à gestão e principais responsáveis das áreas em análise para compreender o modo como está estruturado o sistema de informação e a sensibilidade dos intervenientes às matérias incluídas no relato;

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069 - 316 Lisboa
Matriculada na Conservatória do Registo Comercial sob o nº 506 628 752 (ex nº. 11912)

Inscrita na lista dos Revisores Oficiais de Contas sob o nº 183
NIPC 506 628 752 Capital Social Euros 217.500
Inscrita na Comissão de Valores Mobiliários sob o nº 9077

PRICEWATERHOUSECOOPERS

EDP – Energias de Portugal, S.A.

(ii) Identificar a existência de processos de gestão internos conducentes à implementação de políticas económicas, ambientais e de responsabilidade social;
(iii) Verificar numa base de amostra a eficácia dos sistemas e processos de recolha, agregação, validação e relato que suportam a informação de desempenho supracitada, através de cálculos e validação de dados reportados;
(iv) Confirmar os dados e as asserções de determinadas unidades operacionais às instruções de informação de desempenho, nomeadamente através da visita a algumas localizações relevantes, constantes do planeamento do trabalho;
(v) Executar, numa base de amostra, alguns procedimentos de consubstanciação da informação, através de obtenção de evidência sobre informação reportada;
(vi) Comparação dos dados financeiros e económicos com os constantes do "Relatório e Contas 2007 - Caderno Institucional e do Governo da Sociedade" e "Relatório e Contas 2007 - Fundação EDP" auditados pelo auditor financeiro externo, para aferir sobre a validação externa da informação reportada;
(vii) Comparação por amostra de dados técnicos relativos a emissões de gases com efeito de estufa e consumos de energia primária validados por verificador independente; e
(viii) Confirmar a existência de dados e informações requeridos para atingir o nível A, auto declarado pela EDP, pela aplicação dos níveis do GRI3.

Não foram incluídos neste processo de verificação os dados referentes à qualidade de serviço técnico e comerciais, que são exigidos pelas diferentes entidades reguladoras e alvo de verificação específica pelas mesmas, bem como os dados referente a clientes e vendas da Naturgás.

Conclusões

Com base no trabalho efectuado de acordo com os termos de referência e com o Âmbito, nada chegou ao nosso conhecimento que nos leve a concluir que os sistemas e processos de recolha, agregação, validação e relato da informação constante do Relatório não estão a funcionar de forma apropriada e que a informação divulgada, não esteja isenta de distorções materialmente relevantes.

Tendo por base a nossa verificação do Relatório e das Directrizes do GRI3, concluímos que o Relatório inclui os dados e a informação requeridos para o nível A+ previsto no GRI3.

Lisboa, 25 de Março de 2008

PricewaterhouseCoopers & Associados, SROC, Lda.
representada por:

António Joaquim Brochado Correia, ROC

(2)

07

Additional Information

Informação Adicional

07

1. GLOSSARY

Absentee rate – Ratio between the total hours missed and the total (theoretic) hours worked according to the employment audit.

Accumulated economic value – Calculated as the difference between the economic value generated and the economic value distributed (EC1 GRI indicator).

AIA – Environmental Impact Evaluation **Amount of training** – Total annual hours of training calculated on the basis of the sum of products for each course, of the number of hours by the number of participants, including all classroom or distance learning in courses, seminars, congresses and conferences.

Annual inflation rate – The average variation in the last 12 months compares the average price index of the last 12 months with the 12 months immediately before. As this is a mobile average, this variation rate is less sensitive to sporadic changes in prices. The figure obtained in December has been used as a reference in the social concertation plan and is therefore associated with the annual inf ation rate.

Area occupied by wind farms in classified areas: Areas with nature protection status. In the European Union, they include areas belonging to Natura 2000 and National Protected Area Networks.

Ash – Solid waste from burning fuel originating from mineral impurities contained in it. It may also contain unburned fuel. Fine-grained f y ash is blown out by the combustion gases. Coarse-grained slag accumulates at the bottom of the combustion chamber.

Biomass – Non-fossil organic material of biological origin partially useable as an energy source. The biomass used at the Mortágua power station includes forest waste and pine and eucalyptus bark.

Carbon intensity – Amount of CO_2 emitted per unit of energy produced.

CDM – Clean Development Mechanism – A mechanism established in the Kyoto Protocol allowing Annex 1 countries to fund CO_2 eq. emissions reduction projects in non-Annex I countries in return for tradable emissions reduction certificates in the same proportion.

CO_2 – Carbon Dioxide – A colourless, odourless gas making up part of the air. In addition to natural sources, sources of human origin include the burning of fossil fuels, different industrial processes and changes in soil use. Although it does not directly affect human health, it is a greenhouse gas that contributes to the potential for global warming.

Co-generation power station – Power station where the steam produced is turbined to generate electricity and then used for heating in industrial activities.

Combined cycle (CCGT) – Electricity generation facility consisting of a gas turbine whose exhaust gases feed a heat recovery unit that generates steam to operate a second turbine.

Cooling water – Volume of water collected annually for use in the primary circuit cooling system at the company's thermoelectric power stations.

DGGE – Directorate-General of Geology and Energy.

Economic value distributed – Calculated as the sum of costs of suppliers, non-strategic investments, personnel costs, gross taxes and voluntary contributions to the community.

Economic value generated – The sum of net sales and income from financial investments and assets.

EDIA – Empresa de Desenvolvimento e Infra-estruturas do Alqueva, SA.

ÉGIDE – Economia e Gestão – A public non-profit association for research and the development of education.

Electricity consumption by generating plants – Amount of electricity used by all the company's electricity generating facilities for their normal operation, including all departments involved in generation (consumption by auxiliary, synchronous compensation and pumping services) and those not involved.

Electricity consumption in administrative buildings – Total annual consumption of electricity used in EDP company office buildings, excluding buildings inside substations or generating plants and those belonging to EDP Inovação.

Electricity distribution (GWh) – Total electricity sold and billed by voltage (HV, MV, LV, SLV, NLV and SL) to final customers of regulated suppliers.

Emissions into estuary waters – Total emissions of treated eff uent into rivers and estuaries, excluding cooling water.

Emissions into the sea – Total emissions of treated eff uent into the sea, excluding cooling water.

Emissions trading – The European emission licence trading scheme began in January 2005 and is the largest multi-country and multi-sector emissions trading scheme. It is supported by Directive 2003/87/EC, which came into force on 25 October 2003.

Environmental fines – Amounts of fines or compensation to third parties for violations of environmental legislation.

Environmental impact Assessment (EIA) – All the technical documents and studies drawn up by the promoter of a project. It includes, among other information, an identification and evaluation of probable positive and negative impacts that the project may have on the environment and any measures to prevent, minimise or compensate for expected negative impacts.

Environmental investment – This is the amount of capitalised environmental expenditure on measures taken by companies within the EDP Group's accounting perimeter using the full consolidation method to avoid, reduce or repair environmental damage, which satisfy the criteria for recognition as assets: i.e. they generate future economic benefits, they can be reliably measured, they are identifiable and are expected to be used in more than one period .

Environmental Management System (EMS) – It is part of a global management system and includes the organisational structure, planning of activities, responsibilities, practices, procedures, processes and resources needed to develop, implement, review and maintain an environmental policy.

EPRI – Economic Policy Research Institute.

ERSE – Energy Services Regulatory Authority.

EU – European Union.

FCUL – Lisbon University Science Faculty.

Frequency index (FI) – Number of accidents with sick leave per million hours worked.

Fuel consumption – Annual total amount of fossil fuels (and biomass) used in electricity generation at all company facilities.

Fuel consumption by vehicles – Annual consumption of fuel by all vehicles owned by the company, excluding personal vehicles.

GHG Protocol – Greenhouse Gas Protocol Initiative a business partnership between several entities to develop accepted international standards for monitoring and reporting GHG emissions and promote their global acceptance .

GHGs – Greenhouse Gases: – In addition to water vapour and carbon dioxide (CO_2), they include methane (CH4), nitrous oxide (N20) and halogen halogenated compounds such as hydrof uorocarbons (HFCs), perf uorocarbons (PFCs) and sulphur hexaf uoride (SF6).

Global Compact (GC) – An initiative sponsored by the Secretary-General of the United Nations, Koffi Annan, to promote human rights, employment and the environment.

Green Rate – Electricity supply contracts from renewable hydroelectric sources registered in the REC system. The green electricity sold is estimated on the basis the customer's consumption history.

GRI – Global Reporting Initiative – An independent global institution that develops worldwide reporting guidelines that help companies in drawing up reports on their economic, environmental and social performance.

Gross domestic product (GDPmp) – Gross domestic product at market prices is the final result of the production activity of resident producer units. GDPmp is the sum of gross value added of the various institutional sectors or the various industries plus taxes and less subsidies on products (which are not allocated to sectors and industries).

Gross electricity generation – Total electricity measured on leaving all the main generators at the power stations, therefore including energy absorbed by the power stations' auxiliary services and losses from main transformers.

Hazardous waste – Annual sum disposed of in terms of hazardous waste that is dangerous to health or the environment, defined in accordance with the European Waste List approved by Ministerial Order 209/2004 of 3 March, excluding waste resulting from service activities.

HV – High voltage (voltage between phases with an effective value between 45 kV and 110 kV).

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Hydroelectric energy capability factor (HECF) – An indicator for quantifying deviations from the total amount of hydroelectric energy produced in a certain period in relation to that which would be produced in average hydrological circumstances .

ICN – Nature Conservation Institute.

Índice de Gravidade (Tg) – Severity Index – Number of days lost per million hours worked, in the reference period.

ISO 14 000 standards – International standards of the International Organization for Standardization on environmental management systems.

JI Joint Implementation – A mechanism established by the Kyoto Protocol allowing an Annex I country to fund projects in another Annex I country in exchange for tradable CO_2 e.q. emission reduction units.

Km of overhead lines by voltage (HV and MV) in classified areas – Length of overhead lines operating in the grid belonging to each company in nature protection areas. In Europe, a nature protection area is an area legally classified as belonging to the Natura 200 Network and the National Network of Protected Areas.

LV – Low Voltage – Voltage between phases with an effective value of 1 kV or less.

Market capitalisation – Product of closing price by total number of shares issued.

Megadiverse countries – 17 countries that have been declared as holding 70% of the planet's biodiversity: Australia, Brazil, China, Colombia, Democratic Republic of Congo, Ecuador, India, Indonesia, Madagascar, Malaysia, Mexico, Papua New Guinea, Peru, Philippines, South Africa, United States of America and Venezuela.

MV – Medium Voltage – Voltage between phases with an effective value between 1 kV and 45 kV.

Net electricity generation – Total electricity transmitted to the grid from gross generation after subtracting consumption used in its generation by the power station's auxiliary services and at the main transformers.

NGOs – Non-Governmental Organisations.

NLV – Normal Low Voltage – LV supplies or deliveries for contracted power of 41.4 kVA or less, including supplies for street lighting.

Non-hazardous waste – Annual sum of quantities of non-hazardous waste disposed of, defined in accordance with the European Waste List approved by Ministerial Order 209/2004 of 3 March, excluding waste resulting from service activities.

NOx – Nitrogen Oxides – Gases consisting of one nitrogen atom and a variable number of oxygen atoms. They are air pollutants formed by nitrogen oxidation at high temperatures and one of the causes of photochemical smog and acid rain.

Number of qualified suppliers – The percentage of suppliers with annual accumulated values of goods received of EUR 75,000 or more who are qualified under the EDP Group's supplier qualification system in the Iberian Peninsula .

Number of substations in classified areas – Total number of operating substations belonging to each company in nature protection areas. In Europe, a nature protection area is an area legally classified as belonging to the Natura 200 Network and the National Network of Protected Areas.

Occupational illness rate – Number of days lost due to work-related illnesses.

OHSAS 18 001 standards – Standards belonging to the Occupational Health and Safety Assessment Series for the certification of occupational health and safety management systems.

On-duty accident – Any occupational accident occurring while on duty for the company at the workplace or during working hours resulting in sick leave or death.

Particles – An air pollutant consisting of fine material suspended in the air.

PCBs – Polychlorobiphenyls – A group of enduring, toxic, synthetic chemical compounds. Until their manufacture was banned in the late 1970s, they were widely used as insulating f uid in the electricity industry worldwide.

PCIP – Integrated Pollution Prevention and Control.

PNAC – National Plan for Climate Change.

PNALE – National Plan for the Allocation of Emission Licences.

PNRE – National Plan for Reducing Emissions.

Qualification certificate – A written document issued by an employer attesting to a qualification to work at electricity facilities.

REC – Renewable Energy Certificate System.

Recovered waste (percentage) – Ratio between the total waste recovered and the total waste disposed of, including coal f y ash sold and waste resulting from service activities.

Research and development (R&D) expenses – Expenditure on measures to increase the stock of knowledge taken by each company owned or managed by the EDP Group capitalised or included in the accounts for the year.

Safety passport – A certificate of minimum safety skills issued to employees passing a training course and showing that they have learned to deal with the most common risks in a working environment and appropriate prevention and protection measures.

SAIDI – System Average Interruption Duration Index. A technical service quality indicator – The quotient of the sum of the durations of outages at delivery points over a certain period by the total number of delivery points over the same period.

SAIFI – System Average Interruption Frequency Index. A technical service quality indicator the quotient of the total number of interruptions at delivery points, over a certain period by the total number of delivery points over the same period.

SEI – Independent Electricity System consisting of the SENV and special regime generation.

SEN – National Electricity System consisting of the SEP and SEI.

SENV – Non-binding Electricity System consisting of non-binding producers, non-binding distributors and non-binding customers.

SEP – Public Service Electricity System consisting of binding producers, the national transmission network concessionaire, binding distributors and SEP customers.

SF_6 – Sulphur Hexaf uoride – A greenhouse gas with a potential for global warming of 23,900.

SLV – Special Low Voltage – LV supplies or deliveries for contracted power of 41.4 kV or less.

SO_2 – Sulphur Dioxide – An atmospheric pollutant emitted by natural and human processes, the burning of fossil fuels and a number of industrial processes It is one of the substances responsible for acid rain.

Social tariff in Brazil – For customers meeting the requirements in the Federal Government "Baixa Renda" (Low Rent) Programme, i.e. average monthly consumption of less than 80 kWh in the last 12 months or monthly consumption of more than 80 kWh in the last 12 months or a monthly consumption of more than 80 kHh and less than 220 kWh, provided that the customer declares a household income per capita of less than half the minimum wage.

Social tariff in Portugal – Tariff for consumption at permanent residences, even if someone runs a small business there, with a contracted power of up to 2.3 kVA for an annual consumption of no more than 400 kWh, as per the price regulations established by the Energy Services Regulatory Authority.

SPEA – Portuguese Bird Society.

Specific atmospheric emissions – The ratio between total atmospheric emissions and total gross thermal generation of all EDP's thermoelectric power stations.

SQR – Service Quality Regulations Regulations establishing the minimum standards of technical and commercial quality for the service provided by companies in the National Electricity System.

SRG – Special regime generation, consisting of mini-hydroelectric generation (up to 10 MW), renewable energies and waste, co-generation and low-voltage generation.

Stakeholder – Any agent who directly or indirectly inf uences or is inf uenced by the company.

Steam generation – All steam produced at EDP co-generation power stations and sold to industrial customers.

Supplier of last resort (SoLR) – A body holding a licence to supply electricity subject to universal service obligations.

Supply of electricity (GWh) – Total electricity sold and billed by voltage (HV, MV, LV, SLV, NLV and SL) to final sellers and/or agents outside the EDP Group.

TIEPI –IInstalled Capacity Equivalent Interruption Time (minutes) – Technical indicator of quality of service. It is the quotient between the sum of the product of the installed capacity at

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public and private service transforming stations by outage time of these stations and the sum of the installed capacities of all the public and private service transforming stations in the distribution grid.

Total atmospheric emissions – Emissions resulting from the operations of the main and auxiliary groups CO_2 is calculated solely on the basis of carbon content for coal. For other fuels, it is calculated on the basis of standard emission factors and on the LCV (lowest calorific value). In conventional thermal generation, NOx and particles are calculated on the basis of continuous monitoring data and fuel consumption. SO_2 is calculated on the basis of the fuel's sulphur content. In co-generation and biomass, all emissions, with the exception of CO_2, are calculated on the basis of half-yearly campaigns and the number of hours of operation.

Total primary energy consumption – Annual total amount of fossil fuels and biomass used at all the company's thermal generation facilities, calculated on the basis of the average net calorific value (NCV) weighted on the basis of volume used for each type of fuel. At co-generation power stations, the NCV is an annual average of daily consumption.

Trained employees – The ratio between the number of employees on the payroll who have received training, regardless of the number of courses attended, and the total number of company employees.

Training rate by professional category – Ratio of the number of training hours and the total number of hours worked for each professional category.

Turnover – Ratio between average number of employees admitted to and leaving the company and the total number of employees.

Turnover – The net amount of sales and services rendered (covering compensatory allowances) relating to entities' normal business, consequently after reductions in sales and not including the value added tax nor other taxes directly related to sales and services rendered. .

UE – Undistributed Energy – A technical indicator of quality of service, representing the estimated amount of undistributed energy at the delivery points of bound distributors due to outages over a certain period of time (normally one calendar year).

UIE – Union Internationale pour Applications de l'electricité.

UNESCO – United Nations Educational, Scientific and Cultural Organization.

Value added – The balance of the production account, which includes production under resources and intermediate consumption in employment before deducting consumption of fixed capital. It is of economic sigficiancne to institutional sectors and branches of activity. GAV is assessed at base prices, i.e it does not include taxes net of product subsidies.

Waste sent to final destination – Total annual waste from all EDP's industrial establishments disposed of or recovered by a licensed operator. In Portugal, this includes by-product sold and waste generated by services.

Water consumption in electricity generation – Annual total amount of water used at thermal generation facilities, including total volumes of raw water (for processes).

Water consumption in office buildings – Annual total amount of mains water used in EDP office buildings, excluding buildings inside substations or generating plants and those belonging to EDP Inovação.

Work productivity – An economic and financial indicator ref ecting the productive contribution of the work factor used by the company, measured in hours worked.

2. USEFUL INFORMATION

Head office

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online contact details: www.edp.pt

Investors

Investor Relations Department
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Fax: +351 21 001 28 99
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1250-162 Lisboa
Portugal
online contact details:« www.edp.pt

Customers

EDP lines

Commercial service	808 505 505
Meter readings	800 507 507
Tecncial assistance	800 506 506
Edp conforto	800 501 501

Online contact details: www.edp.pt/Customers

Customer care service

- EDP lines
- customer manager
- stores and agents
- grid areas
- complaints

edp online help

- registration problems
- resend activation key
- inactive user
- I've forgotten my password

DRE – Customer Relations Department
Praça Marquês de Pombal, 13
1252-162 Lisboa
Fax 21 002 1520

Suppliers

EDP Valor
PGC – Technical Procurement Contract Platform
Fax: +351 210 03510
Rua Camilo castelo Branco, 46, 4º
1050-045 Lisboa Portugal
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EDP Valor
PNC – Negotiation and Procurement Platform
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Community

NGO Channel: www.edp.pt/sustentabilidade/canal ONG

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SUSTAINABILITY REPORT

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Published by
EDP – Energias de Portugal, S.A.
Brand and Communication Office
Praça de Marquês de Pombal, 12
1250-162 Lisboa

Technical Direction
Direcção de Sustentabilidade
e Temas de Ambiente

Design
HPP EuroRSCG

Printed by
Dilazo – Artes Gráficas, Lda

Print run
1500 copies

Legal Deposit
0000000/08

May 2008

edp

www.edp.pt