10 September 2021

EDP - ENERGIAS DE PORTUGAL, S.A.

(incorporated with limited liability in the Portuguese Republic)

€750,000,000 Fixed to Reset Rate Subordinated Notes due 2082

Issue Price: 99.481 per cent.

€500,000,000 Fixed to Reset Rate Subordinated Notes due 2082

Issue Price: 99.449 per cent.

The €750,000,000 Fixed to Reset Rate Subordinated Notes due 2082 (the **NC5.5 Notes**) and the €500,000,000 Fixed to Reset Rate Subordinated Notes due 2082 (the **NC8 Notes** and, together with the NC5.5 Notes, the **Notes** and each a **Series**) are issued by EDP - Energias de Portugal, S.A. (the **Issuer**).

The NC5.5 Notes will bear interest, payable in arrear on 14 March in each year. The first interest payment (representing a short first coupon for the period from and including the Issue Date to but excluding 14 March 2022 and amounting to €743.84 per €100,000 in principal amount of the NC5.5 Notes) shall be made on 14 March 2022. The NC5.5 Notes bear interest on their Principal Amount at (a) from and including the Issue Date to but excluding 14 March 2027 (the **NC5.5 First Reset Date**), 1.50 per cent. per annum; (b) from and including the NC5.5 First Reset Date to but excluding 14 March 2032 (the **NC5.5 First Step-Up Date**), the relevant Reset Rate of Interest; (c) from and including the NC5.5 First Step-Up Date to but excluding the Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and (d) from and including the Second Step-Up Date to but excluding 14 March 2082 (the **NC5.5 Maturity Date**), the relevant Reset Rate of Interest plus 1.00 per cent. per annum, each subject to, in the case of a Change of Control Event and unless redeemed early following such Change of Control Event, an increase of 5.00 per cent. per annum (each capitalised term not defined above as defined in *"Terms and Conditions of the NC5.5 Notes"*).

The NC8 Notes will bear interest, payable in arrear on (a) 14 September in each year up to and including 14 September 2080 and (b) 14 March 2082. The first interest payment shall be made on 14 September 2022. The last interest payment (representing a long last coupon for the period from and including 14 September 2080 to but excluding 14 March 2082) shall be made on 14 March 2082. The NC8 Notes bear interest on their Principal Amount at (a) from and including the Issue Date to but excluding 14 September 2029 (the **NC8 First Reset Date**), 1.875 per cent. per annum; (b) from and including the NC8 First Reset Date to but excluding 14 September 2034 (the **NC8 First Step-Up Date**), the relevant Reset Rate of Interest; (c) from and including the NC8 First Step-Up Date to but excluding the Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and (d) from and including the Second Step-Up Date to but excluding 14 March 2082 (the **NC8 Maturity Date**), the relevant Reset Rate of Interest plus 1.00 per cent. per annum, each subject to, in the case of a Change of Control Event and unless redeemed early following such Change of Control Event, an increase of 5.00 per cent. per annum (each capitalised term not defined above as defined in *"Terms and Conditions of the NC8 Notes"*).

Interest payments may be deferred at the option of the Issuer. See Condition 3 of *"Terms and Conditions of the NC5.5 Notes" and "Terms and Conditions of the NC8 Notes"* for details on interest deferral.

The NC5.5 Notes will mature on the NC5.5 Maturity Date, unless redeemed earlier at the option of the Issuer in accordance with the terms and conditions of the NC5.5 Notes. Prior to the NC5.5 Maturity Date, the Issuer may redeem the NC5.5 Notes (in whole but not in part) on any Business Day from (and including) 14 December 2026 (the **NC5.5 First Par Call Date**) to (and including) the NC5.5 First Reset Date or on any Interest Payment Date falling after the NC5.5 First Reset Date at their Principal Amount, together with any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments (each capitalised term not defined above as defined in "*Terms and Conditions of the NC5.5 Notes*").

The NC8 Notes will mature on the NC8 Maturity Date, unless redeemed earlier at the option of the Issuer in accordance with the terms and conditions of the NC8 Notes. Prior to the NC8 Maturity Date, the Issuer may redeem the NC8 Notes (in whole but not in part) on any Business Day from (and including) 14 June 2029 (the **NC8 First Par Call Date**) to (and including) the NC8 First Reset Date or on any Interest Payment Date falling after the NC8 First Reset Date at their Principal Amount, together with any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments (each capitalised term not defined above as defined in "*Terms and Conditions of the NC8 Notes*").

The Issuer may also redeem each Series (in whole but not in part): (i) following a Gross-up Event, a Change of Control Event or a Substantial Repurchase Event, at its Principal Amount; (ii) following a Tax Event or a Rating Agency Event at: (a) if such redemption occurs prior to the First Par Call Date for the relevant Series, 101 per cent. of its Principal Amount; or (b) if such redemption occurs on or following the First Par Call Date for the relevant Series, its Principal Amount, in each case plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments; or (iii) prior to the First Par Call Date for the relevant Series at the Make-whole Redemption Amount (each capitalised term not defined above as defined in *"Terms and Conditions of the NC5.5 Notes" or "Terms and Conditions of the NC8 Notes", as the case may be*). See Condition 4 of "*Terms and Conditions of the NC5.5 Notes" and "Terms and Conditions of the NC8 Notes"* for further detail.

Each Series will constitute direct, unsecured and subordinated obligations of the Issuer, as more particularly described in Condition 2 of "*Terms and Conditions of the NC5.5 Notes" and "Terms and Conditions of the NC8 Notes"*.

Prospective investors should have regard to the factors described under the section headed *"Risk Factors"* on page 14 of this Prospectus.

Each Series will be rated Ba2 by Moody's France SAS (**Moody's**), BB+ by S&P Global Ratings Europe Limited (**Standard & Poor's**) and BB+ by Fitch Ratings Limited (**Fitch**). A brief explanation of the meanings of these ratings is set out in "*General Information*". A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of Moody's and Standard & Poor's is established in the European Union (**EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation. The ratings from Moody's and Standard & Poor's have been endorsed by Moody's Investors Service Limited and S&P

Global Ratings UK Limited, respectively, in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**) for use in the United Kingdom (**UK**). Each of Moody's Investors Service Limited, S&P Global Ratings UK Limited and Fitch is established in the UK and registered in accordance with the UK CRA Regulation. The ratings from Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation for use in the European Economic Area (the **EEA**).

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes of either Series. This Prospectus will be valid until 14 September 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Notes of each Series to be admitted to its official list (the **Official List**) and trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**).

Each Series will be represented in dematerialised book-entry ("*escriturais*") and nominative ("*nominativas*") form in the denomination of €100,000 each and will be held through the accounts of affiliate members of the Portuguese central securities depositary and the manager of the Portuguese settlement system, *Interbolsa–Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* (**Interbolsa**), as operator and manager of the "*Central de Valores Mobiliários*" (the **CVM**).

Crédit Agricole CIB

(Structuring Bank)

BBVA	**Caixa – Banco de Investimento**	**Crédit Agricole CIB**	**HSBC**	**ING**
ICBC Standard	**IMI – Intesa Sanpaolo**	**J.P. Morgan**	**Mediobanca**	**Mizuho Securities**
MUFG			**Santander**	

(Joint Lead Managers)

This Prospectus comprises a prospectus for the purpose of Article 6 of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

References in this Prospectus to Notes being "listed" (and all related references) shall mean that Notes of each Series have been admitted to trading on the regulated market of Euronext Dublin and have been admitted to the Official List.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

The Joint Lead Managers (as defined in "*Subscription and Sale*" below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes. No Joint Lead Manager makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by any prospective investors. The Joint Lead Managers have not undertaken, nor are responsible for, any assessment or verification of the Eligible Green Projects (as defined herein) or the monitoring of the use of proceeds. Investors should refer to the Issuer's website and the Second Party Opinion thereon for more information. Unless specifically incorporated by reference into this Prospectus, information contained on such website does not form part of this Prospectus and for the avoidance of doubt, the Second Party Opinion is not incorporated into, and does not form part of, this Prospectus.

In connection with the issue and sale of the Notes, no person is authorised to give any information or to make any representation not contained in, or inconsistent with, this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither this Prospectus, nor any other information supplied in connection with the Notes, is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus may only be used for the purposes for which it has been published.

No person is authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Issuer and its subsidiaries taken as a whole (the **EDP Group** or the **Group**) since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the EDP Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Neither the Issuer nor any of the Joint Lead Managers represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an available exemption, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about,

and to observe, any applicable restrictions. For a description of certain further restrictions on the offering, sale and delivery of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*" below.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

i. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

ii. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

iii. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where euro is different from the potential investor's currency;

iv. understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and

v. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. A potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) the Notes are legal investments for it; and (2) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

References in this Prospectus to **EUR**, **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union (**TFEU**), as amended.

MiFID II product governance / Professional Investors and Eligible Counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional Investors and Eligible Counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA. For these purposes, a **retail investor** means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of

Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes to retail investors in the EEA has been prepared. Offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the UK. For these purposes, a **retail investor** means a person who is one (or both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore - In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018).

Amounts payable on each Series in respect of each Reset Period (as defined in "*Terms and Conditions of the NC5.5 Notes*" or "*Terms and Conditions of the NC8 Notes*", as applicable) will be calculated by reference to the mid-swap rate for euro swaps with a term of 5 years which appears on the Reuters screen "ICESWAP2" as of 11:00 a.m. (Central European Time) on the relevant Reset Determination Date (as defined in "*Terms and Conditions of the NC5.5 Notes*" or "*Terms and Conditions of the NC8 Notes*", as applicable) which is provided by ICE Benchmark Administration Limited or by reference to the 6-month Euro interbank offered rate (**EURIBOR**), which is provided by the European Money Markets Institute. As at the date of this Prospectus, the European Money Markets Institute appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Prospectus, ICE Benchmark Administration Limited does not appear on ESMA's register of administrators and benchmarks under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain recognition, endorsement or equivalence.

CREDIT RATINGS

Moody's, Standard & Poor's and Fitch have assigned a credit rating to each Series. Such credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of such Series. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

STABILISATION

IN CONNECTION WITH THE ISSUE OF EACH SERIES, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (THE **STABILISATION MANAGER**) (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OF SUCH SERIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF SUCH SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES OF THE RELEVANT SERIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES OF SUCH SERIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES OF SUCH SERIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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OVERVIEW

The following overview refers to certain provisions of the "Terms and Conditions of the NC5.5 Notes" and "Terms and Conditions of the NC8 Notes" and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in "Terms and Conditions of the NC5.5 Notes" or "Terms and Conditions of the NC8 Notes", as the case may be.

Issuer	EDP – Energias de Portugal, S.A.
Issue size	€750,000,000 in respect of the NC5.5 Notes €500,000,000 in respect of the NC8 Notes
Issue Date	14 September 2021
Maturity Date	14 March 2082 (unless redeemed earlier by the Issuer in accordance with the Conditions) in respect of the NC5.5 Notes 14 March 2082 (unless redeemed earlier by the Issuer in accordance with the Conditions) in respect of the NC8 Notes
Subordination	Each Series will rank: (a) junior to all Senior Obligations of the Issuer; (b) *pari passu* with each other and with the obligations of the Issuer in respect of any Parity Security; and (c) senior only to the Issuer's ordinary shares and any other class of share capital of the Issuer that ranks *pari passu* with ordinary shares. **Parity Security** means: (i) any security issued by the Issuer which ranks, or is expressed to rank, *pari passu* with the relevant Series; and (ii) any security guaranteed by, or subject to the benefit of a keep well agreement or support undertaking entered into by, the Issuer where the Issuer's obligations under the relevant guarantee, keep well agreement or support undertaking rank *pari passu* with the Issuer's obligations under the relevant Series. **Senior Obligations** means all obligations of the Issuer (including any obligation assumed by the Issuer under any guarantee of, or any keep well agreement) other than the obligations of the Issuer in respect of any Parity Security or the Issuer Shares.
Interest Payment Dates	Subject to any interest deferral (as described below), interest payments in respect of the NC5.5 Notes will be payable in arrear on 14 March of each year. The first payment (representing a short first coupon for the period from and including the Issue Date to but excluding 14 March 2022 and amounting to €743.84 per €100,000 in Principal Amount of the NC5.5 Notes) shall be made on 14 March 2022. Subject to any interest deferral (as described below), interest payments in respect of the NC8 Notes will be payable in arrear on (a) 14 September of each year up to and including 14 September 2080 and (b) 14 March 2082. The first payment shall be made on 14 September 2022. The last interest payment (representing a long last coupon for the period from and including 14 September 2080 to but excluding 14 March 2082) shall be made on 14 March 2082.
Interest	The NC5.5 Notes bear interest on their Principal Amount at: (a) from and including the Issue Date to but excluding 14 March 2027 (the **NC5.5 First Reset Date**), 1.50 per cent. per annum; (b) from and including the NC5.5 First Reset Date to but excluding 14 March 2032 (the **NC5.5 First Step-Up Date**), the relevant Reset Rate of Interest; (c) from and including the NC5.5 First Step-Up Date to but excluding the NC5.5 Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and (d) from and including the NC5.5 Second Step-Up Date to but excluding the NC5.5 Maturity Date, the relevant Reset Rate of Interest plus 1.00 per

cent. per annum,

each subject to, in the case of a Change of Control Event and unless redeemed early following such Change of Control Event, an increase of 5.00 per cent. per annum.

NC5.5 Second Step-Up Date means: (A) if, at any time between the Issue Date and the 30th calendar day preceding the NC5.5 First Reset Date, the Issuer is assigned an issuer credit rating of "BBB-" or above by Standard & Poor's and does not, on the 30th calendar day preceding the NC5.5 First Reset Date, have an issuer credit rating assigned to it of "BB+" (or such similar nomenclature then used by Standard & Poor's) or below, 14 March 2047; and (B) otherwise 14 March 2042.

The NC8 Notes bear interest on their Principal Amount at:

(a) from and including the Issue Date to but excluding 14 September 2029 (the **NC8 First Reset Date**), 1.875 per cent. per annum;

(b) from and including the NC8 First Reset Date to but excluding 14 September 2034 (the **NC8 First Step-Up Date**), the relevant Reset Rate of Interest;

(c) from and including the NC8 First Step-Up Date to but excluding the NC8 Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and

(d) from and including the NC8 Second Step-Up Date to but excluding the NC8 Maturity Date, the relevant Reset Rate of Interest plus 1.00 per cent. per annum,

each subject to, in the case of a Change of Control Event and unless redeemed early following such Change of Control Event, an increase of 5.00 per cent. per annum.

NC8 Second Step-Up Date means: (A) if, at any time between the Issue Date and the 30th calendar day preceding the NC8 First Reset Date, the Issuer is assigned an issuer credit rating of "BBB-" or above by Standard & Poor's and does not, on the 30th calendar day preceding the NC8 First Reset Date, have an issuer credit rating assigned to it of "BB+" (or such similar nomenclature then used by Standard & Poor's) or below, 14 September 2049; and (B) otherwise 14 September 2044.

Interest deferral

The Issuer will have the right to defer interest payments on each Series, in whole or in part, otherwise scheduled to be paid on an Interest Payment Date.

The Issuer may settle outstanding Deferred Interest Payments (in whole or in part) at any time on the giving of prior notice to the Holders of the relevant Series.

Notwithstanding the above, all outstanding Deferred Interest Payments must be settled (in whole and not in part) on the date which is the earlier of:

(i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;

(ii) the next Interest Payment Date on which the Issuer decides to pay the interest in full;

(iii) the Maturity Date or the calendar day on which the relevant Series is otherwise redeemed; and

(iv) the calendar day on which an applicable legally binding resolution or order is made for the winding-up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

Each of the following is a Compulsory Payment Event:

(A) the shareholders of the Issuer validly approve a proposal to pay a dividend, other distribution or payment on any Issuer Shares, other than any payment in kind using Issuer Shares;

(B) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any Issuer Shares for any consideration, except

pursuant to the terms of any instrument which converts into Issuer Shares or in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option or free share allocation plan or employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants;

(C) the Issuer or any of its Subsidiaries makes any payment of interest, dividend or other distribution or payment on any Parity Securities; and

(D) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any of the Notes of the relevant Series or any Parity Securities for any consideration, except pursuant to the terms of any instrument which converts into Issuer Shares or Parity Securities,

provided that, in the case of (C) and (D) above, no Compulsory Payment Event will occur if: (x) the Issuer or any of its Subsidiaries are obliged under the relevant Conditions or under the terms and conditions of such Parity Securities to make such payment, redemption, purchase or other acquisition; or (y) the Issuer or any of its Subsidiaries repurchases or otherwise acquires any Notes of the relevant Series or any Parity Securities in an open-market tender offer or exchange offer at a consideration per Note or Parity Security below its respective par value or (z) the Issuer makes any *pro rata* payment of deferred interest on any Parity Securities which is made simultaneously with a *pro rata* Deferred Interest Payment provided that such *pro rata* payment on any Parity Securities is not proportionately more than the *pro rata* Deferred Interest Payment.

Benchmark Event

On the occurrence of a Benchmark Event (which, amongst other events, includes the Original Reference Rate ceasing to exist, be administered or be published) the Issuer and an Independent Adviser may determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments in accordance with Condition 3.8 of the "*Terms and Conditions of the NC5.5 Notes*" or "*Terms and Conditions of the NC8 Notes*", as applicable.

Redemption

Each Series will mature on its Maturity Date unless redeemed earlier at the option of the Issuer in accordance with the relevant Conditions.

Prior to the relevant Maturity Date, the Issuer may redeem each Series (in whole but not in part) on any Business Day from (and including) the applicable First Par Call Date to (and including) the applicable First Reset Date or on any applicable Interest Payment Date falling after the applicable First Reset Date at its Principal Amount, together with any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments.

The Issuer may also redeem each Series (in whole but not in part):

(i) following a Gross-up Event, a Change of Control Event or a Substantial Repurchase Event, at its Principal Amount plus any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments; or

(ii) following a Tax Event or a Rating Agency Event at:

(a) if such redemption occurs prior to the applicable First Par Call Date, 101 per cent. of its Principal Amount plus any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments; or

(b) if such redemption occurs on or following the applicable First Par Call Date, its Principal Amount plus any interest accrued up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments; or

(iii) prior to the applicable First Par Call Date, at the Make-whole Redemption Amount.

Purchases

The Issuer or any of its Subsidiaries may, in compliance with applicable laws, at any time purchase Notes in the open market or otherwise and at any price. Such

acquired Notes may be cancelled, held or resold.

In relation to each Series, the Issuer intends (without thereby assuming a legal obligation), during the period from and including the Issue Date to but excluding the Second Step-Up Date for the relevant Series, that in the event of an early redemption or repurchase of the relevant Series under the circumstances further described in the section "*Replacement Intention*" in this Prospectus, if the relevant Series is assigned an "equity credit" by Standard & Poor's at the time of such redemption or repurchase, it will redeem or repurchase Notes of the relevant Series only to the extent the Aggregate Equity Credit of the Notes of such Series to be redeemed or repurchased does not exceed the Aggregate Equity Credit received by the Issuer or any Subsidiary from the sale or issuance by the Issuer or the relevant Subsidiary to third party purchasers of replacement securities (the **Restrictions**).

For the purpose of the Restrictions, **Aggregate Equity Credit** means:

(x) in relation to the relevant Series, the part of the aggregate Principal Amount of the relevant Series that was assigned "equity credit" by Standard & Poor's at the time of their issuance; and

(y) in relation to replacement securities, the part of the net proceeds received from issuance of such replacement securities that was assigned "equity credit" by Standard & Poor's at the time of their sale or issuance.

The intention described above does not apply, among other circumstances as fully described in the section "*Replacement Intention*" in this Prospectus:

i. if, on the date of such redemption or repurchase, the rating assigned by Standard & Poor's to the Issuer is the same as or higher than the long-term corporate credit rating assigned to the Issuer on the date when the Issuer's most recent additional hybrid security was issued (excluding refinancings) and the Issuer is of the view that such rating would not fall below such level as a result of such redemption or repurchase; or

ii. if, on the date of such redemption or repurchase, the Issuer no longer has a corporate issuer credit rating by Standard & Poor's; or

iii. in the case of a repurchase of Notes of the relevant Series if such repurchase, taken together with other repurchases of hybrid securities of the Issuer, is of less than (x) 10 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 10 consecutive years, provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or

iv. if, on the date of such redemption or repurchase, the statements made in the Restrictions set forth above are no longer required for the relevant Series to be assigned an "equity credit" by Standard & Poor's that is equal to or greater than the "equity credit" assigned by Standard & Poor's to the relevant Series on the Issue Date; or

v. if such replacement would cause the Issuer's outstanding hybrid capital which is assigned "equity credit" by Standard & Poor's to exceed the maximum aggregate principal amount of hybrid capital which Standard & Poor's, under its then prevailing methodology, would assign "equity credit" to based on the Issuer's adjusted total capitalisation.

The statements of intention above summarise the statements of intention contained in the section "*Replacement Intention*" in this Prospectus. Please refer to that section for complete information in this regard.

Withholding taxation and Payments of interest and other amounts in respect of each Series will be made free of Portuguese withholding taxes, unless such taxes are required to be withheld by

gross-up	law. If any such withholding or deduction is made, additional amounts will be payable by the Issuer, subject to certain exceptions as provided in Condition 6 of the relevant Series.
Events of Default	In respect of each Series, if any of the events below (an **Event of Default**) occurs and is continuing then Holders holding not less than one quarter of the aggregate Principal Amount of the relevant Series then outstanding may declare such Series immediately due and payable: (i) upon the initiation of, or consent to, the liquidation, winding-up or dissolution of the Issuer or the Issuer admits in writing its inability to pay its debts as and when the same fall due; or (ii) the application to any court (that remains undischarged for sixty days) for, or the making by any court of, an insolvency order against the Issuer; or (iii) the appointment by any court of an insolvency administrator or other similar officer over all or any part of the Issuer's assets (that remains undischarged for sixty days); or (iv) if default is made in the payment of any principal or interest amount that is due and payable in respect of the Notes of the relevant Series or any of them and the default continues for a period of 30 days, provided that no such event shall constitute an Event of Default if it is being contested in good faith by appropriate means by the Issuer and the Issuer has been advised by recognised independent legal advisers of good repute that it is reasonable to do so.
Voting rights	The Notes do not entitle Holders to participate in, or to vote at, any general meeting of the shareholders of the Issuer.
Denomination	Each Series is issued in the denomination of €100,000.
Listing and admission to trading	Applications have been made to Euronext Dublin for the Notes of each Series to be admitted to listing on the Official List and trading on its regulated market.
Governing Law	The Notes, and any non-contractual obligations arising out or in connection with the Notes, are governed by English law (with the exception of Conditions 1 and 2 of each Series which will be governed by Portuguese law). The form ("*forma de representação*") and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.
Clearing	Each Series will be represented in dematerialised book-entry ("*escriturais*") and nominative ("*nominativas*") form with the CVM and registered and cleared through the system operated by Interbolsa. The CVM currently has links in place with Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) through securities accounts held by Euroclear and Clearstream, Luxembourg with affiliate members of Interbolsa.
Ratings	Each Series is expected to be rated Ba2 by Moody's, BB+ by Standard & Poor's and BB+ by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Use of Proceeds	The net proceeds from the issue of the Notes are intended to be used by the Issuer towards the Issuer's Eligible Green Projects portfolio. See "*Use of Proceeds*".
Selling Restrictions	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the EEA, the UK, Singapore, Japan, Belgium, Spain, Italy and Portugal) only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
Risk Factors	Prospective investors should carefully consider the information set out in the section entitled "*Risk Factors*" in conjunction with the other information contained or incorporated by reference in this Prospectus.
ISIN	PTEDPXOM0021 in respect of the NC5.5 Notes

	PTEDPYOM0020 in respect of the NC8 Notes
Common Code	238440807 in respect of the NC5.5 Notes
	238440823 in respect of the NC8 Notes
CVM Code	EDPXOM in respect of the NC5.5 Notes
	EDPYOM in respect of the NC8 Notes

RISK FACTORS

An investment in the Notes involves risks. Prospective investors should carefully consider all of the information in this Prospectus and the documents incorporated by reference herein, including the following risk factors, before deciding to invest in the Notes. The actual occurrence of any of the following events could have a material adverse effect on the Issuer's business, financial condition, prospects or results of operations which may adversely affect the Issuer's ability to make payments and fulfil its other obligations under the Notes.

The risk factors described below consist of a limited selection of specific risks which the Issuer considers to be of most relevance to investors when the investor is making an investment decision. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on the Issuer's business, financial condition, prospects or results of operations or result in other events that could lead to a diminution of the Issuer's ability to fulfil its obligations *under the Notes.*

References *in this section to* "*EDP*", *"the Group" or the* "*EDP Group*" *are to EDP and its subsidiaries.*

Introduction

The risk factors described below are those that the Issuer believes are material and specific to the Issuer and that may affect the Issuer's ability to fulfil its obligations under the Notes. The risk factors have been organised into the following categories:

1. Risks relating to EDP's business activities;
2. Risks relating to the strategy of EDP;
3. Risks relating to EDP's operational activities;
4. Risks relating to the financial markets and financial activities of EDP;
5. Risks relating to the structure of the Notes;
6. Risks relating to certain terms of the Notes;
7. Risks relating to the market for the Notes; and
8. Risks related to withholding tax.

Within each category, the most material risks, in the assessment of the Issuer, are set out first. The Issuer has assessed the relative materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact. The order of the categories does not imply that any category of risk is more material than any other category. Prospective investors should read the detailed information set out in this Prospectus (including the documents incorporated by reference herein), in conjunction with each of the risk factors described below, and reach their own views prior to making an investment decision.

1. Risks relating to EDP's business activities

For further information on the business of EDP, please see "*EDP and the EDP Group*".

The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration in market conditions and/or exposure to the local market of certain power plants.

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including: (i) an adverse imbalance between supply and demand in the electricity and natural gas markets in the countries in which EDP operates or in other related energy markets; (ii) the performance of international and/or regional energy prices such as oil, natural gas, coal, CO_2 allowances and green certificates or guarantees of origin; (iii) below average rainfall or wind speed and solar incidence levels; (iv) higher cost of power plant construction; or (v) a change in the technological mix of installed generation capacity. The gross profit per unit of energy sold in liberalised energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates. In the Iberian Peninsula, the volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalised electricity and natural gas markets, which are fully exposed to market risk. If the difference between the market price for electricity and the marginal generation cost (which depends primarily on fuel and CO_2 costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited. This would directly result in lower gross margin and cashflows in EDP's Client Solutions and Energy Management segment.

In addition, the power plants still benefiting from the Contractual Balance Maintenance Costs (**CMEC**) mechanism have, from 2017 onwards, entered into the final 10-year period of the mechanism, in which a final 10-year prospective adjustment amount to the initial CMEC compensation amount has been approved by the relevant authorities. Such adjustment amount may not reflect the evolution of the market prices and other variables for the next

10-year period and, as such, the power plants still benefiting from the CMEC regime will be partially exposed to the risk of market prices.

Payments for electricity sold by certain EDP's wind and solar farms depend, at least in part, on market prices for electricity. In certain countries, such as the United States, EDP sells its wind and solar power output mainly through long-term Power Purchase Agreements (**PPAs**), which set the sale price of electricity for the duration of the contract. When a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives are used (such as green certificates, and market pricing), the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile. Furthermore, in some cases where power generation is sold at a regulated or long-term contracted price, EDP may still be exposed to market volatility if there are significant price differentials between the price at the plants' grid injection node and the reference grid node for the contracts' settlement. In the future, as regulated remuneration schemes and/or PPAs end for existing wind and solar farms, the gross margin and cashflows of the EDP Group's Renewables segment may become more volatile and a source of increased risk for EDP.

In Brazil, the electricity generated by EDP's power plants is primarily sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers when the contracted energy level is between pre-defined boundaries. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly due to extremely dry periods, wide fluctuations in electricity demand and changes of EDP's electricity distribution concession areas. In the future, the gross margin and cashflows for power plants whose existing PPAs end may become more volatile. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive dynamics and/or the regulatory environment.

Although EDP seeks to mitigate market and price volatility risks through the use of various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, there can be no assurance that EDP's hedging and financial strategy will prove effective. Likewise, purchases of hedging instruments, such as financial derivative contracts, could increase EDP's costs and reduce EDP's profit margins. If any of the above risks were to materialise they could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

The profitability of EDP's power plants are dependent on weather conditions.

Electricity generation output from EDP's hydro, wind and solar power plants in operation, as well as expected levels of output from power plants under construction and under development, are highly dependent on weather conditions, particularly rainfall, wind and sunshine hours, which vary substantially across different locations, seasons and years. For example, in respect of hydro power plants, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may result in a reduction in water flow available for electricity generation. Such impacts would result in lower hydro volumes available for power generation and lower revenues for EDP.

In respect of wind power plants, turbines only operate when wind speeds fall within certain operating ranges that vary by turbine type and manufacturer. If wind speeds fall outside or towards the lower end of these ranges, energy output at EDP's wind farms declines. As for solar farms, the level of solar energy impacts the production of electricity within specific operating ranges which are particularly affected by temperature. In respect of thermal plants, the hydro volumes of the year may also impact profitability, for instance restricting the use of water in the cooling processes. Such restriction may translate into higher cost for power generation in thermal plants and/or lower outputs, which would translate into lower gross margins for EDP. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase and, therefore, it cannot guarantee that its power plants will be able to meet their anticipated generation levels. Any such shortfall in generation levels could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's profitability may be affected by significant changes in energy demand in each of the countries in which it operates.

Significant changes in the demand for electricity and natural gas in the markets in which EDP operates may have a material impact on the profitability of EDP's business activities, such as generation and supply activities. EDP's investment decisions take into consideration EDP's expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and sells natural gas, but also by a number of other factors including governmental policies, regulation, tariff levels, environmental and climate conditions. Significant changes in any of these variables may affect levels of per capita energy consumption, which could vary substantially from EDP's expectations.

Lower energy demand typically impacts EDP's Networks operating segment in Brazil and to a certain extent Portugal, where EDP's power distribution businesses have part of their revenue linked to power demand. In addition, EDP's Renewables and Client Solutions and Energy Management segments are also indirectly impacted by lower energy prices given the imbalance in supply and demand under such a scenario. Moreover, Client Solutions and Energy Management are impacted by lower sales due to lower energy demand, especially in business client segments.

Any decrease in power demand or decrease in the rate of demand growth whether due to lower electrification of the economy, increased energy efficiency, the impact of the COVID-19 pandemic or other unexpected events or otherwise could adversely impact the demand for new renewable projects or otherwise have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

The profitability of EDP's thermal power plants and gas supply activities are dependent on the reliability of EDP's access to fossil fuels, such as coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions.

EDP's thermal power plants need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. EDP's strategy for fossil fuels procurement is to enter into long-term and short-term purchase agreements to cover any potential contingencies. Although EDP has such long-term purchase agreements for fossil fuels in place and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving various third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants or may not be able to comply with the terms of existing PPAs for contracted power plants.

For example, the Pecém coal plant in Brazil, which operates under a long-term PPA, is able to pass on its fossil fuel cost within certain limits. However, the profitability of this plant could be reduced if coal supply limitations reduce the plant's availability levels below those contracted under the PPA, for example, due to a shortage of fossil fuels. In the Iberian Peninsula's liberalised market, EDP's ordinary regime thermal power plants are fully exposed to changes in fossil fuel costs, including changes in related taxes.

The gas that EDP buys for use in its combined cycle gas turbine power plants (**CCGTs**) or to supply its gas customers in Portugal and Spain is currently supplied primarily through long-term contracts and delivered both through liquefied natural gas (**LNG**) terminals and international pipelines. The supply chain of gas to the Iberian Peninsula passes through several countries and involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in force majeure clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate other risks that might lead to diminished margins and loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator (**TSO**) on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities, and such circumstances involve additional contractual risks that could have a material adverse effect on the EDP Group's business, financial condition, results of operations and prospects.

EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indices in Europe and the Middle East and to benchmark gas prices in the United States and Europe. Under the terms of some of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay" clauses. As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers, which may cause disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay" clauses and, in turn, affect the profitability of EDP's CCGTs or gas supply activity. In addition, any structural change on international oil and gas markets may create significant differences between benchmark oil prices indices and benchmark gas price indices thereby increasing basis risk. This could adversely impact the competitiveness of EDP's long term gas procurement contracts. Such circumstances may affect the profitability of EDP's CCGTs or gas supply activity, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

EDP is exposed to the regulatory risks associated with the changes in laws and regulations in the countries in which it operates.

EDP's operations include the generation, transmission, distribution and supply of electricity and related services (including the development, construction, licensing and operation of power plants, transmission and distribution grids), and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's main countries of operations are Portugal, Spain, Brazil, the United States, Romania, France, Italy, Poland, Mexico, Belgium, Canada, the UK, Colombia and Greece. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those resulting from ordinary

expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Any of those changes may make such laws and regulations more restrictive or in other ways less favourable to EDP.

In particular, the development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Many states in the United States, the U.S. federal government, and many Member States of the EU, including European countries in which EDP operates or has pipeline projects, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in past years and EDP has benefited from such support. In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives for wind and solar projects have been the US federal Production Tax Credit (**PTC**), the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System (**MACRS**) and the Investment Tax Credit (**ITC**). In addition, many US state governments have implemented Renewable Portfolio Standards (**RPS**), which typically require that a certain percentage of the electricity supplied by a utility to consumers within such state is to be covered by renewable resources. The EU has implemented energy targets for 2030, which are, for the most part, particularly in relation to energy efficiency and renewable energy, not binding on a national level. EDP cannot guarantee that such support, policies or regulatory frameworks in the jurisdiction in which it operates will be maintained.

Some of the EDP Group's operations are subject to concessions, licences and permits which are granted for fixed periods of time or are subject to early termination or revocation ("*revogação*" or "*resgate*") under certain circumstances, including as a result of legal proceedings, challenges, disputes, legal or regulatory changes or failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality, which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated losses. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business or a segment thereof in an entire jurisdiction. For more information on the termination of the low voltage distribution concession agreements and the upcoming public tenders, see "*Regulatory Framework*".

The complex international regulatory environment in which EDP operates also exposes EDP to the risk of regulatory proceedings for disagreements on the interpretation of applicable laws. For example, in 2019, the European Commission (**EC**) announced the opening of infringement proceedings against eight Member States, including Portugal, alleging that certain national laws and past governmental practices regarding the award and renewal of hydropower concessions were inconsistent with applicable EU law. Regarding Portugal, in particular, the EC's proceedings focused on the 2008 extension of contracts for the use of public domain water resources by EDP's power plants, which benefited from CMEC stranded costs compensation approved by the EC in 2004. Although EDP is not a party to these proceedings, a final decision against the Portuguese state could ultimately result in a challenge to the validity of EDP's hydropower concessions or otherwise adversely impact such concessions, which would have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including taxes, levies and other charges, which may be amended, or subject to varying interpretations, from time to time. Rapid or significant modification in such laws and regulations could impose additional costs on EDP, such as compliance costs or the restriction of business opportunities, among others. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified or that their interpretation by relevant authorities will differ in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities.

In addition, other laws and regulations may in the future become applicable to EDP and/or the business activities in which EDP is engaged, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's cash flow is subject to possible changes in the amounts and timings of the recovery of the regulatory receivables from the energy systems.

EDP has annually recognised an amount of regulatory receivables in its statement of financial position that is related to its regulated business activities in Portugal, Spain and Brazil. These regulatory receivables are to be recovered from the energy system within a pre-determined time period, set by the relevant regulator, and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. For instance, with respect to regulated energy distribution activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity tariffs for a certain year or, in case of deficit, when the regulator or the government decides not to recover all system costs in a given year and defer the payment of such regulatory receivables for a number of years. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal, Spain and Brazil, meaning

that revenues collected through electricity tariffs to end-consumers were not sufficient to cover electricity system costs. In Portugal, EDP has been able to sell a significant part of its right to receive payment for these amounts without recourse, but a portion is still pending to be recovered from the relevant regulators. The total amount of regulatory receivables in EDP's balance sheet can vary significantly within each period, either due to an increase or because EDP has sold a portion of its right to receive payment for these receivables without recourse. There can be no assurance that, in the future, new amounts of regulatory receivables will not continue to be generated or that final amounts received will not be different from the amounts initially expected or that EDP will be able to monetise them, which could have a material adverse effect on EDP's business, financial condition, results of operation and prospects. For more information see "*Regulatory Framework – European Energy Policy –Iberian Peninsula*".

EDP's financial condition and results of operations may be adversely affected by natural disasters and other calamities, such as earthquakes, storms, extreme weather conditions, pandemic diseases, and any similar event.

The occurrence of a natural disaster or other calamity could significantly affect EDP's operations and financial condition, if it occurs in a country or region where EDP operates its business, or from which EDP sources materials and/or equipment and components that are essential for the operation, or required in the construction and development of, its power plants.

In particular, the outbreak of coronavirus has led to governmental measures imposed around the world to stymie the spread of the pandemic. COVID-19 has had and continues to have a significant impact on the global economy and society. There is significant uncertainty with respect to the future impact of COVID-19 and the duration thereof, and as such there can be no assurance that the Group will not be significantly impacted or that the Group's efforts to minimise its exposure will prove effective. In particular, continued macroeconomic uncertainty and low energy demand could create delays or service disruptions in the Group's operational activities should there be any issues in its supply chains and/or the unavailability of its suppliers or employees. Access to new funding necessary for its business operations or investments may also be more limited or more costly, due to generalised heightened credit risk concerns and financial markets' volatility. Moreover, economic uncertainty could lead to a deterioration in creditworthiness and significant delays in payments by EDP's counterparties and could increase the risk of default by such counterparties, some of whom may currently be benefitting from governmental support measures and which upon expiry of such measures could result in increased bad debts for the Group. In addition, EDP could also face heightened exchange rate risks for non-euro denominated businesses as well as liquidity risks if cash flows are reduced or existing cash and equivalent liquidity is insufficient to meet EDP's commitments. In addition, economic disruption and depressed markets could affect EDP's assets and portfolio (for example, by delaying the construction or development of its projects, delaying asset maintenance, delaying auctions for new concessions or the execution of its corporate strategy, any of which may lead to an increase in costs, loss of profit and potential contractual disputes and penalties), processes (for example, by causing service disruptions among its critical suppliers), human resources, in particular key executive management or technical personnel (for example, illnesses may lead to health-related absenteeism which may, in turn, reduce productivity, as well as know-how and competitiveness in the Group) and IT systems (for example, any failure from outsourcers may disrupt the level of maintenance and support available to EDP and its business activities). In addition, the adverse macro-economic impact of the pandemic may reduce EDP's growth prospects and business profitability. In some countries, an economic downturn could lead to public finance difficulties, which alongside possible social unrest may cause unexpected changes in governments and government policies that could possibly be negative for EDP's business profitability or growth prospects. Any of these factors could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

The regulatory and physical risks of climate change could materially increase EDP's compliance and operating costs and adversely impact its results of operations and financial position. Climate change may have a significant and wide-spread impact on EDP's and its stakeholders' activities over the medium to long-term. EDP faces transition risks related to the adoption of low-carbon strategies implemented to prevent and mitigate the effect of climate change, such as regulatory incentives and penalties, carbon pricing systems, energy efficiency solutions and low carbon products/services. The implementation of such policies to promote carbon reduction may impact the operations of EDP, in particular the operations of EDP's thermal plants which rely on coal and natural gas and are required to purchase CO_2 certificates, the market price of which fluctuates and can have an adverse impact on EDP's costs. In addition, EDP faces physical risks related to changes in physical parameters, such as changes to average temperatures, structural changes in water and/or wind volumes and solar exposure, average sea levels, or the incidence of extreme climatic events, such as storms floods, or temperature extremes that would result in a significant impact on EDP's hydro, wind and solar generation revenues as well as on its assets' resilience. EDP may not be able to predict, mitigate or adapt to the long-term regulatory and physical changes associated with such climate change which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's assets could be damaged by natural and man-made disasters or crisis and EDP could face civil liabilities or other losses as a result.

EDP's assets and facilities are subject to risks and damage associated with fire, explosions, leaks storms, acts of terrorism, and other natural or man-made disasters, which may result in damage to EDP's plants, infrastructure and nearby properties, injury to employees and others and interruption of operations, which may lead to an increase costs and liabilities. EDP's inability to successfully recover should it experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory action and reputational harm. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate, should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force, which may in turn impact EDP's assets, business, financial condition, prospects or results of operations.

Such events could cause severe damage to EDP's power plants, distribution networks and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighbouring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for releases of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third party sites.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

A disruption or failure of the EDP Group's systems or operations in the event of a major earthquake, flood, weather event, public health crisis, cyber-attack, terrorist attack or other catastrophic event could affect EDP's operations and financial condition if it occurs in a country or region where EDP operates its business, or from which EDP sources materials and/or equipment and components that are essential for the operation, or required in the construction and development of, its power plants. A catastrophic event that results in the destruction or disruption of any of the Group's critical business or energy infrastructure could harm its ability to conduct normal business operations and, consequently, its results of operations. Such natural disasters and other catastrophic events may result in additional costs in replacing equipment and infrastructure, potential difficulties in executing maintenance of EDP's assets and possible legal liabilities and reputational harm.

In particular, EDP has an interest in a nuclear power plant through EDP España, S.A.U. (formerly Hidroelectrica del Cantábrico S.A.U., **EDP España**), which holds a 15.5 per cent. interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Spanish law provides that the operator of each nuclear facility is liable for up to €700 million as a result of claims relating to a single nuclear accident. EDP would be liable for its proportional share of this €700 million amount. Trillo has insurance to cover potential liabilities related to third parties arising from a nuclear accident in Trillo for up to €700 million, including environment liability up to the same limit. In the proportion of EDP España's stake in Trillo, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of radioactive materials. Any such calamities are likely to result in a worsened macro-economic environment and could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP is subject to compliance costs as well as liabilities under environmental, health and safety laws and regulations.

EDP's businesses are subject to numerous environmental regulations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly EU regulations and directives and international environmental agreements. More restrictive or less favourable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional capital expenditure, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's businesses primarily relate to air emissions, water and soil pollution, waste disposal and electromagnetic fields.

EDP continues to operate according to its current CO_2 management practices and according to existing legislation and regulations regarding these emissions. There can be no assurance, however, that EDP will manage its CO_2 emissions to be less than or equal to the number of emission allowances it holds (or otherwise acquires) nor that the current relevant European or local laws, regulations and targets will not be subject to change in the future. Less stringent CO_2 regulations in the EU may cause the price for CO_2 allowances to decrease and as a consequence power prices to fall, which would in turn impact EDP's gross margin in the short term and lead to slower deployment of new renewable capacity, thus reducing EDP's growth prospects in the long-term.

Apart from CO_2, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs in the future to comply with environmental regulations that require the implementation of preventive, mitigation or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

EDP has incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of business in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant capital expenditure in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurance that such capital expenditure will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP usually includes a provision in its accounts for dismantling and decommissioning costs based on its estimates of such costs, but there is no guarantee that such provisions reflect all its dismantling obligations costs or the real costs incurred or to be incurred. As such, EDP may incur higher costs than provisioned and/or expected, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Violations of environmental laws protecting migratory birds and endangered species in certain jurisdictions may also result in criminal penalties and fines. EDP's operational performance and profitability may also be adversely affected by changes in health and safety regulations in the future. Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that materially adversely affect EDP's operational performance or EDP's profitability, business, financial condition, results of operations and prospects.

Changes in electricity, sale prices and other revenue related assumptions, or changes in costs with fuel and CO_2 license could result in lower than expected revenue, higher than expected costs, decreased profitability and generation asset impairments.

Electricity generation assets have a significant portion of their revenues derived from market prices or contracted sales. Additionally, the cost of fuel and CO_2 allowances represent a significant portion of the total cost related to EDP's thermal generation. As a result, a decrease in sales prices for any given reason and/or an increase in the cost of either coal, natural gas or CO_2 licenses could make any given generation asset less competitive than energy produced from other sources, which could decrease revenues, increase costs and the profitability of EDP's coal plants. If EDP's thermal plants suffer a decrease in profitability or otherwise, EDP could be required to recognise an impairment of its assets. If EDP is required to recognise additional impairments and incur added expenses relating to accelerated depreciation and amortisation, decommissioning, reclamation and cancellation of long-term fuel contracts of such generating plants and facilities, it could materially adversely affect EDP's operational performance or EDP's profitability, business, financial condition, results of operations and prospects.

2. Risks relating to the strategy of EDP

For further information on the strategy of EDP, please see "*EDP and the EDP Group - Strategy of EDP*".

EDP may be exposed to additional risks if it performs mergers and acquisitions (M&A) activities.

EDP may seek opportunities to expand its operations in the future through strategic acquisitions or re-focus its core business activities or markets through strategic and/or non-core divestments. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions.

The process of exploring, assessing and conducting M&A activity can be time consuming and costly in terms of the time spent by EDP's management identifying and assessing whether a divestment or acquisition is in line with EDP's

strategy, the expenses EDP is required to commit in advisory fees, the costs of financing such a transaction, the process of obtaining relevant surveys, licenses and approvals and the legal due diligence EDP is required to undertake.

Even if EDP is satisfied with the benefits of a particular transaction, there can be no guarantees that EDP will successfully complete such M&A activity as it may be unable to agree acceptable terms of sale or purchase, or be unable to obtain the necessary licenses and approvals from regulatory authorities. This could happen at any stage during M&A activity, even when EDP has already spent considerable time, resources and expenses on a transaction. Conversely, if a transaction can be agreed, there can be no guarantees that EDP will be able to realise the identified, diligenced and assumed benefits from such M&A activity or that any new assets, staff or businesses can be integrated with its existing operations.

As such, there can be no certainty that EDP will manage such issues relating to its M&A activity successfully, that it will successfully integrate or complete its M&A activity or realise the anticipated synergies or benefits of such M&A activity. Any failure or perceived failure by EDP in this regard could have a material adverse effect on its reputation and on its business, financial condition, or results of operations, including the sustainability of EDP's business over time, which could, in turn, impact its ability to meet its obligations under the Notes.

Increased focus by investors on environmental, social and governance matters may impact EDP's business and reputation.

Environmental, social and governance (**ESG**) matters are of increasing importance, with companies facing heightened scrutiny for their performance on a variety of ESG matters, which are considered to contribute to the long-term sustainability of companies' performance.

A variety of organisations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicised. In addition, investment in funds that specialise in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasised the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, EDP's efforts and impacts on climate change ethics and compliance with law, and the role of EDP's boards of directors in supervising various sustainability issues. A number of advocacy groups, both domestic and international, have campaigned for governmental and private action to promote change at public companies related to ESG matters. These activities include demands for action related to climate change, promoting the use of substitutes to fossil fuel products, and encouraging the divestment of companies in the fossil fuel industry.

There can be no certainty that EDP will manage such issues successfully, or that it will successfully meet its ESG targets and society's expectations. Any failure or perceived failure by EDP in this regard could have a material adverse effect on its reputation and on its business, financial condition, or results of operations, including the sustainability of EDP's business over time.

EDP is exposed to the uncertainty of the macroeconomic, political and social environment.

EDP's operational results and capacity to execute its strategy are directly related to, among other factors, the political and social conditions as well as the general level of economic activity in the countries in which EDP operates. The global economy and the global financial system have in the past experienced periods of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries including Portugal and Spain where EDP has a significant presence. This market dislocation was historically accompanied by recessionary conditions and trends in many economies throughout the EU.

Additionally, even under normal economic and social conditions, EDP cannot predict how the economic cycle will develop or whether there will be a deterioration of the economic situation globally or in Portugal, Spain, Brazil and the United States or any other country where EDP operates. As a result of any such recessionary conditions or economic deterioration, and resultant loss of liquidity in the global economy, executing EDP's strategy could prove to be more challenging.

Furthermore, the EDP Group is subject to risks associated with the instability of the political and social environment in each of the jurisdictions where it operates, including among other things, (i) increase in taxation; (ii) lower and/or less financially attractive investment opportunities as consequence of negative evolution of public policy on the energy sector; (iii) changes in regulation which impose additional costs or reduce revenues for EDP; (iv) expropriation or nationalisation of assets; (v) attacks on EDP's energy infrastructure; (vi) foreign exchange controls; (vii) taxes on remittances and other payments by subsidiaries; (viii) requirements to comply with conflicting national and local regulatory requirements; (ix) potential difficulties in staffing and labor disputes; and (x) civil disturbances and governmental instability. The occurrence of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP may not be able to keep pace with the rapidly evolving technological changes in the energy sector which could adversely impact its ability to increase, or maintain, its competitiveness.

The technologies used in the energy sector have undergone rapid changes in the past and may in the future continue to change rapidly as techniques to generate, distribute and retail electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to such technological changes. In particular, technologies related to power generation, electricity transmission, distribution and supply of energy related services are constantly updated and modified. EDP may be unable to identify, acquire or develop these technologies in a timely manner or without significant investment. If EDP is unable to modernise its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose market share in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets if it is unable to integrate new technologies into its operations. Specifically, the evolution of technologies relating to distributed solar generation, utility-scale solar generation, floating and non-floating offshore wind generation, electricity storage and batteries and demand-side management may in the future come to be critical to EDP's competitive position and business prospects. In addition, other technologies which are currently deemed less important or others which may yet be developed have the potential to have equally or more disruptive impacts in the energy sector and on EDP's competitiveness. Moreover, new entrants in the supply, energy management and services sectors such as aggregators and players skilled in managing demand-side capacity and/or in the internet-of-things technology may also disrupt these business segments and cause EDP to lose market share. There can be no assurance that EDP will be able to identify, invest in or acquire the necessary technologies to increase or maintain its competitiveness, which in turn could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP depends on relationships with joint venture partners and other third parties for revenues.

EDP has in the past invested in assets alongside other business partners or executed M&A deals such that created jointly-held assets, with EDP holding a minority interest, control or equal rights. Some of these joint ventures are significant to the successful execution of EDP's strategy, such as the joint-venture with Engie, *société anonyme* (**Engie**) in offshore wind generation.

In these instances of joint-ventures, business partnerships or other shared asset holdings in which EDP is currently involved or may be in the future, there is a risk of governance disputes causing operational or managerial difficulties such as slower decision making, limitations in asset rotation deals, increased difficulty in refinancing these businesses or adverse spillover reputational effects from a business partner's actions. These examples or other forms of governance risks can result in reduced profitability, reputational risks or other impacts in the perceived value of EDP. Although no such issues have materially affected EDP in the past, there can be no assurance of that being the case in the future.

Joint venture transactions present certain operational risks, including the possibility that joint venture partners may have economic, business or legal interests or goals that are inconsistent with those of EDP, may become bankrupt, may refuse to make additional investments that EDP deems necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture agreements. To the extent that EDP does not control a joint venture, the joint venture partners may take action that is not in accordance with EDP's policies or objectives. For example, joint venture partners may have the ability to block business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or to the investment in the project or otherwise implement initiatives that are contrary to EDP's interest. In addition, there is a risk that such joint venture partners may ultimately become competitors of EDP.

Further, the success of these joint ventures also depends, in large part, on the satisfactory performance by EDP's joint venture partners of their contractual, financial, legal, regulatory and other obligations, including their obligation to commit working capital, equity or credit support, to support their indemnification and other contractual obligations and to comply with applicable laws and regulations. If a joint venture partner fails to perform its obligations satisfactorily or the relationship between the joint venture partners deteriorates or, ultimately, breaks down, for whatever reason, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, EDP may be required to make additional investment and provide additional resources to ensure the adequate performance and delivery of the contracted services and there can be no assurance that EDP will recover any additional investment or additional resource in a timely manner or at all. This could in turn have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP is subject to increasing competition in the markets and regions where it operates.

Structural changes in competition in the markets where EDP operates may have an impact on EDP's business activity, such as new entrants to the market, declines in demand, excess capacity or the launch of marketing campaigns, products or services.

In its Renewables segment, increased competition may cause EDP to be unsuccessful in obtaining licences for the construction or operation of new power plants, in acquiring available sites and grid interconnection rights, and in setting prices for energy produced. Although EDP has generally been able to obtain a sufficient number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to, or prevent the development of, EDP's wind and solar power projects and affect the recoverability of any cost incurred. In addition, EDP's existing or future interconnection rights may not be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind and solar farms can be negatively affected by transmission congestion from other companies when there is insufficient available transmission capacity, which could result in lower prices for wind and solar farms selling power into locally priced markets, such as certain U.S. markets. The renewable energy market has been subject to an increase in the number of competitors with different backgrounds (including traditional companies operating in the utilities sector, newly specialised renewable companies, financial investors, companies from the oil and gas sector and others). These and other competitors may benefit from a number of advantages, including control of significantly greater resources, wider diversification of risk, larger financial capacity, improved economies of scale, enhanced specialisation and technological innovation and/or broader or deeper technical and operational expertise. Increased competition may hinder the ability of EDP to grow its installed renewable capacity and deliver its strategic targets.

In its Network segment, EDP also faces competition with respect to its electricity transmission and distribution businesses, namely through competitive bids in auctions for new concessions and or/renewal of existing concessions in the different geographies where EDP is present or seeks new business. Increased competition could materially adversely affect the profitability and growth of this particular business and, in turn, the profitability of EDP.

In its Client Solutions and Energy Management segment, the liberalised markets in Portugal, Spain and Brazil, which were created to increase competitiveness in electricity and natural gas supply markets, have observed aggressiveness of retail offers from suppliers competing with EDP and added further volatility in terms of market shares and unit price margins. Moreover, there is a risk that the liberalised markets may result in deviations in actual consumption that differ from EDP Group's forecasting model. EDP may not be able to anticipate the various risks and opportunities that may arise in the liberalised markets in Portugal, Spain and Brazil's electricity and natural gas markets, and the eventual end of the role of last resort suppliers in the regulated market, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP may also increasingly face new entrants with distinct competitive advantages in terms of technological skills and distribution channels, namely in decentralised solar, electric mobility, demand-side management and internet-of-things sectors. Such competition, being generally different from the traditional players of this industry, may make it more difficult for EDP to achieve its strategy or may cause it to lose market share in existing businesses.

EDP's international operations are exposed to a variety of economic, social and political risks which have a material adverse effect on EDP's results of operations and financial condition.

EDP has a significant share of its activities distributed across various countries, including in Latin America and North America. In the future, EDP may increase the share of its operations in these geographies and/or enter new countries. Investments in Latin America, North America and other countries outside the Eurozone present a different or greater financial risk profile to EDP than those made in the Eurozone. As a result, EDP is exposed to a variety of global and local economic, political, regulatory and social conditions, including, among others: (i) energy market risks; (ii) compliance with local legislation; (iii) economic volatility; (iv) exchange rate fluctuations and exchange controls; (v) differing levels of inflationary pressures; (vi) differing levels of government involvement in the domestic economy; (vii) political uncertainty; and (viii) unanticipated changes in regulatory or legal regimes.

In some geographies where EDP operates or others where it may enter in the future, public institutions and governments may be characterised by lack of transparency, corruption, lower level law enforcement and difficulties in protection of contractual and property rights or other practices that go against EDP's ethical principles and legislation or regulations to which it is subject in other countries, namely anti-corruption and/or anti-bribery legislation. In addition, EDP's activities and/or procedures in a given country may be affected by legislation, sanctions, embargoes or other restrictions imposed by another country. Failure to comply with any of these regulations and laws may result in fines or penalties and legal liabilities. Moreover, some regions may face heightened risks of terrorism, civil unrest, war or other threats to the safety of EDP's or its affiliates' employees, assets and/or facilities. These impacts, alongside other economic risks related to inflationary pressures, capital flow and exchange rate controls and unexpected political intervention in the economy create additional risks for EDP that could adversely materialise into lower profitability, difficulties in receiving cashflows from subsidiaries or affiliates, loss of assets or their economic value, reputational impact and legal exposure.

EDP may in the future be subject to a change of control.

As a publicly listed issuer, EDP – Energias de Portugal, S.A.'s shares may be the subject of a tender offer or the subject of any transaction resulting in one or more entities acquiring control of the majority of voting rights in EDP – Energias de Portugal, S.A.

In the event of such a change of control, a majority shareholder may have, directly or indirectly, the power to affect, among other things, the capital structure, asset base and the day-to-day operations of EDP, as well as the ability to elect and change the management of EDP and the ability to approve other changes to the operations and strategies of EDP and the Group. There can be no assurance that the Group would not be materially impacted should a change of control result in any of these events, which could, in turn, have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

3. Risks relating to EDP's operational activities

For further information on the business of EDP, see "*EDP and the EDP Group*".

EDP may encounter problems and delays constructing or connecting its electricity generation, transmission and distribution facilities.

EDP faces risks relating to the construction of its electricity generation, transmission and distribution facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and estimate date of commissioning and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorisations or legal actions brought by third parties. Such problems or delays could expose EDP to a variety of costs, including, among others, increasing EDP's construction costs, exposing it to contractual damages, or delaying when EDP expects to begin accruing benefits under such facilities or contracts. In addition, a decision to postpone or cancel construction of a project may lead to penalties and a loss of payments performed, for example, in connection with concession licence rights. The occurrence of any of these events, whether individually or cumulatively, could have a material adverse effect on EDP business, financial condition, and/or results of operations.

Equipment failure at its power plants, electricity transmission and/or distribution networks may negatively impact EDP's results of operations and financial performance.

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity transmission and distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity transmission or distribution network could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. The cost to EDP of these failures or defects is reduced to the extent that EDP has the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues or penalties incurred, or that such suppliers will be able or willing to fulfil such warranties and guarantees, which in some cases may result in costly and time-consuming litigation or other proceedings, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Information technology (IT) system failures or breaches could materially adversely affect EDP's operations.

EDP's IT systems are critically important in supporting all of its business activities. Failures in EDP's IT systems could result from technical malfunctions, human error, lack of system capacity, security or software breaches. The introduction of new technologies and the development of new uses, such as social networking, expose EDP to new threats. In addition, cyber-attacks and hacking attempts to which companies may fall victim are increasingly targeted and carried out by specialists. Any failure or malfunctioning of EDP's IT systems could seriously affect its businesses and result in, among other things, breaches of confidentiality, delays or loss of data.

EDP has in the past been, and may in the future be, the target of cyber-attacks. There can be no assurance that the Group will not be materially impacted by cyber-attacks in the future, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

In addition, EDP also collects and stores sensitive data from customers, business partners, suppliers, institutional stakeholders and internal confidential information that is needed for its operations. This data is subject to

data privacy protection regulations, namely the General Data Protection Regulation in the EU. Any events related to cyber-attacks, security breaches, computer viruses, malware or other that result in the loss of control of this data can potentially have a negative impact on EDP by means of regulatory fines, legal claims or liabilities, loss of customer confidence, reputational effects and otherwise materially adversely affect EDP's business, results of operations, financial condition and prospects. EDP's strategy also encompasses a commitment to digitalising its operations and technology in order to allow EDP to become more agile, flexible, global and efficient. Failure to meet such commitment could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents.

The design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time. Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks. The materialisation of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums.

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity distribution and transmission grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, including environmental conditions that may affect, destroy, damage or impair any of its facilities. EDP has taken out insurance policies to cover certain risks associated with its business and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's facilities could also expose it to legal challenges and sanctions which may not be covered by insurance.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers and EDP cannot be certain that these policies will be renewed at all or on similar or favourable terms.

If EDP suffers loss or damage that is not covered by insurance (including where EDP has decided to absorb the risk through self-coverage) or which exceeds its insurance cover, or has to pay higher insurance premia, or fails to adequately manage internal premia (where EDP owns a captive insurer and thus self-insures part of its operational risks in order to optimise its insurance programs in terms of risk held and premia costs), this could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP may have difficulty in hiring and retaining qualified personnel.

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. An inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations.

The loss of key executive management or technical personnel could lead to a loss of specific know-how in several areas of EDP's activities, namely but not exclusively energy management, financial management, renewables supply chain management, thermal plants supply chain management, renewables site discovery and project development, dispatch of power networks and power plants, maintenance of power networks and power plants or construction and dismantling of power plants. There can be no assurance that such losses will not occur or that adequate replacement would be found, which exposes EDP to a potential loss of competitiveness possibly resulting in diminished profitability and growth prospects, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP is subject to the risk of labour disputes, adverse employee relations and shortage of key personnel, each of which could adversely affect its operations and business

Labour disputes could result in work stoppages, thereby damaging EDP's operations and cause EDP to obtain lower revenues due to fall in sales or to incur in additional costs, such as increased labour costs or other liabilities. Although EDP has not experienced any significant labour disputes or work stoppages to date, its existing labour agreements may not prevent a strike or work stoppage at any of EDP's facilities in the future.

Shortage of key personnel could lead to difficulties in executing critical operations and assuring the normal flow of the various activities that EDP executes. This could potentially lead to unexpected costs, loss of revenue and legal liabilities.

The materialisation of any of these risks could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP is a party in certain litigation proceedings.

EDP is, has been, and may be from time to time in the future, subject to a number of claims and disputes in connection with its business activities. In the ordinary course of business, EDP and the EDP Group may be party to litigation or subject to non-litigated claims and investigations, whether of a legal, regulatory or taxation-related nature, arising out of the normal operations of its global business. EDP cannot ensure that it will prevail in any of these disputes or that it has adequately reserved or insured against any potential losses. Consequently, any such litigation, proceedings or disputes may have a material adverse effect on EDP's reputation and results of operations.

See "*EDP and the EDP Group - Litigation*" for further information.

4. Risks relating to the financial markets and financial activities of EDP

Foreign exchange rate fluctuations may negatively impact EDP's results of operations and financial condition.

EDP is subject to the risk associated with fluctuations in the cost of the purchase and sale of fossil fuels, electricity and related services, and with the cost of investments denominated in foreign currencies. EDP is also subject to the risk of transactional foreign currency, as well as currency fluctuations which can occur when EDP incurs revenue in one currency and costs in another, or its assets or liabilities are denominated in foreign currency, and there is an adverse currency fluctuation in the value of net assets, debt and income denominated in foreign currencies (and in the extreme case, exchange rate and capital controls).

Moreover, certain of EDP's operating subsidiaries have in the past and may in the future enter into agreements or incur substantial capital expenditure denominated in a currency that is different from the currency in which they generate revenues, creating a potential exposure to loss of profitability in the event of one or both of these currencies' exchange rate adversely changing.

EDP is also exposed to currency translation risk when the accounts of its businesses outside the Eurozone, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros, creating a potential exposure to loss of economic value in the event of one or more currencies' exchange rate adversely changing.

Although EDP attempts to naturally hedge currency fluctuation risks by matching its non-euro costs with revenues in the same currency as well as by using various financial instruments, there can be no assurance that EDP will always be successful in doing so.

There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management policies will operate successfully.

EDP's financial position may be adversely affected by volatility in the financial markets.

EDP relies on access to short-term commercial paper, money markets and long-term bank and capital markets as sources of finance. In recent years, global financial markets have experienced extreme volatility and disruption and ongoing adverse financial market conditions, which could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements. An increase in short-term or long-term base interest rates could also negatively impact EDP's cost of debt and reduce cash available for servicing EDP's indebtedness, particularly given its floating rate exposure. If EDP is unable to access capital at competitive rates or at all to finance its operations, implement its strategy, or service obligations, it may be forced to reduce or delay investments and capital expenditure,

sell assets, seek additional capital or restructure or refinance its indebtedness. The effect of any of these, whether individually or aggregately, could impact EDP's financial liquidity, and thus its ability to repay Noteholders.

EDP's financial position may be adversely affected by changes to EDP's credit ratings.

Some of EDP's debt is rated by credit rating agencies. Any downgrade in EDP's credit ratings could have a material adverse effect on EDP's business, financial condition, results of operations and prospects. In the event of a rating downgrade it is possible that EDP's funding options would be reduced and the cost of new debt would increase.

EDP is exposed to counterparty risk in some of its businesses.

EDP's electricity, natural gas and services supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international markets, as well as its PPAs, in countries such as the United States, Italy, Belgium and Brazil, are all subject to counterparty risk.

In the normal course of its financial management, EDP enters into agreements (deposits, underwritten credit facilities and derivative instruments) with diversified financial institutions. Similarly, EDP also maintains contractual relationships with suppliers of goods and services which are critical to the continuous functioning of its operations.

EDP is dependent on such counterparties continuing to comply with and perform their contractual obligations to ensure there is no disruption to EDP's operational, commercial and financial activities. While EDP seeks to mitigate counterparty risk by entering into transactions with creditworthy entities, by setting counterparty exposure limits, by diversifying counterparties and/or by requiring credit support, there can be no assurance EDP will be able to successfully do so or that such counterparties will continue to maintain and perform their contractual obligations, particularly during any recession or macro-economic downturns. Should the creditworthiness or ongoing performance and operations of these counterparties significantly change, EDP's operations could be disrupted and its liquidity and financial position negatively affected. This could in turn have a material adverse effect on EDP's business, financial condition, results of operations and prospects and therefore EDP's obligations under each Series.

EDP may not be able to finance its planned capital expenditure.

EDP's business activities require significant capital expenditure. EDP expects to finance a substantial part of these capital expenditure from cash from its operating activities and proceeds from asset sales. If these sources are not sufficient, however, EDP may need to finance certain of its planned capital expenditure from outside sources, including bank borrowing, offerings in the capital markets, institutional equity partnerships, state grants or divestments. No assurance can be given that EDP will be able to raise the financing required for its planned capital expenditure on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned capital expenditure which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP's business requires high upfront investments based on forecasts and estimates of future returns that may not be realised.

EDP has significant construction and capital expenditure requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as material equipment costs and labour construction services. The price of such equipment or construction services may increase, or continue to increase, if the market demand for such equipment or services is greater than available supply, or if the price of key component commodities and raw materials used to build such equipment increases. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. The EDP Group is also required to commit significant capital expenditure for maintenance purposes throughout the operational period of the EDP Group's assets. There can be no assurance such capital expenditure will not differ from the levels initially expected, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Furthermore, EDP makes significant long-term capital expenditure and commitments on the basis of forecasts on certain investment parameters, including prices, volumes and interest rates which may turn out to be inaccurate. In the event of any material deviations from such estimates, EDP may not earn the expected return on related projects. In such instance, and also due to the level of indebtedness of EDP related to the capital intensive nature of its business, EDP may find it more difficult to cover the debt interest rate with the asset's returns, potentially leading to a competitive disadvantage relative to peers that lead EDP to forgo opportunities and/or require EDP to sell assets or issue further equity to meet its financial commitments.

Additionally, in order to explore growth opportunities, EDP regularly incurs expenditure in exploring, developing and planning new projects. Such projects may or may not reach a stage where they become fully operational, thus incurring higher than expected costs. The ability to translate EDP's projects from an in-development

to a fully-operational stage depends on several factors, including, *inter alia*, the prices, the availability of PPAs and the market conditions of where a project is located.

EDP faces liquidity risk and may face shortage of cash to meet obligations.

EDP's sources of liquidity include short-term deposits, revolving credit facilities and underwritten commercial paper programs with a diversified group of financial institutions. There is the risk of devaluation of the financial assets that EDP holds (traded on securities markets) or increased difficulty in securing, or increased cost of, short-term refinancing. However, if the creditworthiness of the financial institutions on which EDP relies for its funding significantly change or if financial conditions deteriorate, EDP's liquidity position could be negatively affected, which could in turn have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

Moreover, EDP's liquidity management also considers expected future incoming cash from its operations or financial activities, as well as expected future cash outflows to meet commitments with employees, investors, suppliers, counterparties, business partners and other stakeholders. Especially cash inflow, but also cash outflow projections can vary significantly and cause EDP to decrease cash and cash equivalent holdings and/or to increase external financing to compensate this volatility. If under such a scenario, external financing was not readily available or was only available at a higher cost, EDP could face higher financing expenses, reputational risks that impair its business prospects or even shortage of cash and failure to meet commitments with its stakeholders, which could have a material adverse effect on EDP's business, financial condition, results of operations and prospects.

EDP risks incurring significant future costs with respect to its employee benefit plans.

EDP grants some of its employees a supplementary retirement and survival plan including death subsidy (**Pension Plan**) as well as a medical plan (**Medical Care Plan**). The liabilities and corresponding annual costs of these defined benefit Pension and Medical Care Plans are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to employee benefit plans accounting often relate to the returns on Pension and Medical Care Plans assets and the discount rate used to assess the present value of future payments. Pension and medical care liabilities can place significant pressure on cash flows, in particular, if any of EDP's funds become underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the funds. The Pension and Medical Care Plans in Portugal are currently governed by the collective labour agreement entered into in July 2014.

5. Risks relating to the structure of the Notes

For further information on the structure of the Notes, please see "*Terms and Conditions of the NC5.5 Notes*" and "*Terms and Conditions of the NC8 Notes*".

Each Series constitutes subordinated obligations of the Issuer and hence the claims of all senior creditors will first have to be satisfied in any winding-up before the Holders of the relevant Series may expect to receive from the Issuer any recovery in respect of their Notes.

Each Series will be subordinated obligations of the Issuer and will rank *pari passu* with each other in a winding-up of the Issuer. Upon the occurrence of a winding-up proceeding of the Issuer, payments on each Series will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer, except for liabilities which rank equally with the relevant Series. As such, the Holders of the relevant Series may recover proportionately less than the holders of unsubordinated and other subordinated liabilities of the Issuer and the remedies for holders in any winding-up or insolvency proceeding of the Issuer may be limited. In particular, in an insolvency proceeding over the assets of the Issuer, holders of voluntarily subordinated debt such as the Notes, will not have any right to vote in the assembly of creditors, except if the creditors' assembly resolution is on the approval of an insolvency plan. Accordingly, Holders of each Series should be aware that they will have limited ability to influence the outcome of any insolvency proceeding or a restructuring outside insolvency.

Holders of each Series are advised that unsubordinated liabilities of the Issuer may also arise out of events that are not reflected on the balance sheet of the Issuer including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Issuer that in a winding-up of the Issuer will need to be paid in full before the obligations under the relevant Series may be satisfied.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Notes will lose all or some of his investment in the case of a winding-up or insolvency proceeding of the Issuer.

The value of the Notes may be adversely affected by movements in market interest rates.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

From (and including) the Issue date to (but excluding) the relevant First Reset Date, each Series will bear interest at a fixed interest rate of (i) 1.50 per cent. per annum in respect of the NC5.5 Notes and (ii) 1.875 per cent. per annum in respect of the NC8 Notes. During this period, Holders of each Series will be exposed to the risk that the price of the Notes falls as a result of changes in the current interest rate on the capital market (the **Market Interest Rate**). The Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate may cause the respective price of each Series to change. If the Market Interest Rate increases, the respective price of each Series typically falls. If the Market Interest Rate falls, the respective price of each Series typically increases. Investors should be aware that movements of the Market Interest Rate can adversely affect the respective price of each Series and can lead to losses for the investors if they sell the Notes.

From (and including) the relevant First Reset Date to (but excluding) the relevant Maturity Date, each Series will bear interest at a rate that will be reset for each relevant Reset Period. As such, the Notes are exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of the relevant Series in advance for the period from (and including) the relevant First Reset Date to (but excluding) the relevant Maturity Date.

See also "*Discontinuation of the Original Reference Rate*" below.

Future discontinuance or reform of EURIBOR may adversely affect the value of the Notes.

Along with other interest rates and indices which are deemed to be benchmarks, EURIBOR is the subject of ongoing national and international regulatory discussions and proposals for reform.

Investors should be aware that the respective rate of interest on each Series for the period from (and including) the relevant First Reset Date is based on a reset mid-swap rate and, if such mid-swap rate is not available (including, without limitation, due to EURIBOR being discontinued or otherwise unavailable), the rate of interest may be determined for each relevant Reset Period by the fall-back provisions applicable to the relevant Series. The fall-back provisions applicable to the relevant Series may in certain circumstances result in the effective application of a fixed rate of interest for each relevant period based on the rate which was last available on the relevant screen page. See also "*Discontinuation of the Original Reference Rate*".

In addition, any changes to the administration of the 5-year mid-swap rate or the emergence of alternatives to the 5-year mid-swap rate as a result of these potential reforms, may cause the 5-year mid-swap rate to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of the 5-year mid-swap rate or changes to its administration could require changes to the way in which the Rate of Interest is calculated on the relevant Series from (and including) the relevant First Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the 5-year mid-swap rate may adversely affect the 5-year mid-swap rate, the return on the relevant Series and the trading market for securities based on the 5-year mid-swap rate. The development of alternatives to the 5-year mid-swap rate may result in the relevant Series performing differently than would otherwise have been the case if such alternatives to the 5-year mid-swap rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the relevant Series.

Discontinuation of the Original Reference Rate.

The terms and conditions of each Series provide that, if a Benchmark Event (as defined in Condition 3.8 in the terms and conditions of each Series) (which, amongst other events, includes the Original Reference Rate ceasing to exist, be administered or be published) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Issuer and the Independent Adviser shall endeavour to determine a Successor Rate or an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the relevant Reset Rate of Interest for a Reset Period may result in the relevant Series performing differently (which may include payment of a lower Reset Rate of Interest for such Reset Period) than they would do if the Original Reference Rate were to continue to apply.

If a Successor Rate or Alternative Rate is determined by the Issuer and the Independent Adviser, the terms and conditions of each Series also provide that an Adjustment Spread may be determined by the Issuer and the Independent Adviser and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to the Holders of the relevant Series as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to the Holders of the relevant Series. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the relevant Reset Rate of Interest for a Reset Period. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in the relevant Series performing differently (which may include payment of a lower Reset Rate of Interest for such Reset Period) than they would if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, is determined by the Issuer and the Independent Adviser, the terms and conditions of each Series provide that the Issuer and the Independent Adviser may agree to vary the terms and conditions of the relevant Series, the relevant Interbolsa Instrument and/or the relevant Paying Agency Agreement, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, without any requirement for consent or approval of the Holders of the relevant Series.

Notwithstanding the occurrence of a Benchmark Event, the Issuer may be unable to appoint an Independent Adviser in accordance with the terms and conditions of the relevant Series, or the Issuer and the Independent Adviser may not be able to determine, or may not agree on the selection of, a Successor Rate or Alternative Rate in accordance with the terms and conditions of the relevant Series before the relevant Reset Determination Date in respect of a Reset Period. In such circumstances, the terms and conditions of each Series provide for certain additional fall-back provisions which may result in (i) the Euro Swap Rate being set by reference to offered quotations from banks communicated to the Agent Bank or (ii) the last Euro Swap Rate that was available on the Reset Screen Page being used to determine the relevant Reset Rate of Interest for a Reset Period. In addition, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Agency Event to occur.

If the Issuer is unable to appoint an Independent Adviser or the Issuer and the Independent Adviser fail to determine, or do not agree on the selection of, a Successor Rate or Alternative Rate for the life of the relevant Series, this could result in the relevant Series, in effect, becoming fixed rate securities.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Notes.

There can be no assurance that the use of proceeds will be suitable for the investment criteria of an investor seeking exposure to sustainable assets.

It is the Issuer's intention to apply an amount equal to the net proceeds from the Notes specifically for existing or planned investments of EDP Renováveis, S.A. (**EDP Renováveis** or **EDPR**) which support the transition to a low-carbon economy, especially those that help increase the production of renewable energy (together **Eligible Green Projects**). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Joint Lead Managers that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives (including as set by Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, the so called "EU Taxonomy")) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Joint Lead Managers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that the Notes of either Series are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Joint Lead Managers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are

required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Joint Lead Managers or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes of each Series.

While it is the intention of the Issuer to apply an amount equal to the net proceeds of the Notes so specified for Eligible Green Projects in, or substantially in, the manner described in this Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply an amount equal to the net proceeds of the Notes for any Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other notes which are intended to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

6. Risks relating to certain terms of the Notes

For further information on the terms of the Notes, please see "*Terms and Conditions of the NC5.5 Notes*" or "*Terms and Conditions of the NC8 Notes*", as appropriate.

There are limited remedies available to the Holders of each Series in relation to their rights and claims under the relevant Series.

Holders of not less than one quarter of the aggregate Principal Amount will be able to declare the relevant Series immediately due and payable only if one of the limited Events of Default set out in Condition 10 of the relevant Series occurs and is continuing, including in the case of liquidation, winding-up, dissolution or insolvency of the Issuer or default in the payment of principal or interest due and payable under the relevant Series for a period of 30 days. No such event shall constitute an Event of Default if it is being contested in good faith by appropriate means by the Issuer and the Issuer has been advised by recognised independent legal advisers of good repute that it is reasonable to do so.

The Issuer has the right to defer interest payments on each Series with a potential adverse effect on the market price of the relevant Series.

The Issuer may, at its discretion, elect to defer, in whole or in part, any payment of interest on each Series. Any such deferral of interest payments shall not constitute a default for any purpose unless such payments are required to be made in accordance with Condition 3.5 of the relevant Series and are not so paid when due.

Any deferral of interest payments will likely have an adverse effect on the market price of the relevant Series. In addition, as a result of the interest deferral provision, the market price of the relevant Series may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

While the deferral of interest payments continues, the Issuer may make payments on any instrument ranking senior to the relevant Series or on instruments ranking *pari passu* with the relevant Series in the limited circumstances described in Condition 3.5 of the relevant Series.

The Notes are long-term securities and therefore an investment in Notes constitutes a financial risk for a long period.

Each Series will mature on 14 March 2082 and, although the Issuer may redeem each Series in certain circumstances prior to such date, the Issuer is under no obligation to do so. The Holders of the relevant Series have no right to call for the redemption of such Series. Therefore prospective investors should be aware that they may be required to bear the financial risks of an investment in the relevant Series for a long period and may not recover their investment before the end of this period.

Each Series will be subject to optional redemption by the Issuer in certain circumstances and this may limit the market value of the relevant Series and also a Holder may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

Unless previously redeemed or purchased and cancelled, the Issuer will redeem each Series on 14 March 2082, at their respective Principal Amounts together with any accrued and unpaid interest to such date (including any accrued but unpaid Deferred Interest Payments). However, each Series may be redeemed, at the option of the Issuer and subject to the relevant provisions in Condition 4 of the terms and conditions of the relevant Series, in whole but not in part on any Business Day from (and including) the relevant First Par Call Date to (and including) the relevant First Reset Date or any Interest Payment Date falling after the relevant First Reset Date, at their respective Principal Amounts together with any accrued and unpaid interest up to (but excluding) such Redemption Date (including any accrued but unpaid Deferred Interest Payments).

In addition, in relation to each Series, upon the occurrence of a Gross-up Event, a Change of Control Event, a Tax Event, a Rating Agency Event or a Substantial Repurchase Event, and subject to the relevant provisions in Condition 4 of the terms and conditions of the relevant Series, the Issuer shall have the option to redeem, in whole but not in part, the relevant Series at (i) 101 per cent. of its Principal Amount, together with any accrued and unpaid interest up to (but excluding) the relevant Redemption Date, including any accrued but unpaid Deferred Interest Payments (in the case of a Tax Event or Rating Agency Event only where any such redemption occurs before the relevant First Par Call Date); (ii) its Principal Amount, together with any accrued and unpaid interest up to (but excluding) the relevant Redemption Date, including any accrued but unpaid Deferred Interest Payments (in the case of a Gross-up Event, a Change of Control Event or a Substantial Repurchase Event where any such redemption occurs at any time or in the case of a Tax Event or a Rating Agency Event where any such redemption occurs on or after the relevant First Par Call Date); or (iii) prior to the relevant First Par Call Date at the relevant Make-whole Redemption Amount. In the case of a Change of Control Event, if the Issuer does not elect to redeem the relevant Series, interest payable on such Series will be increased by 5.00 per cent. per annum in respect of the NC5.5 Notes and 5.00 per cent. per annum in respect of the NC8 Notes.

The Issuer may be expected to redeem the relevant Series when its cost of borrowing is lower than the interest payable on them and the other related costs borne by the Issuer. This may be triggered, for example, by the occurrence of a Gross-up Event (i.e. a circumstance where the Issuer is obliged to pay additional amounts under the relevant Series as a result of a change in Portuguese law, or a change in or amendment to any official interpretation or application of Portuguese law, which occurs after the Issue Date) or a Tax Event (i.e. a circumstance which occurs after the Issue Date where there is a change to Portuguese law or applicable accounting standards, a new official interpretation or pronouncement with respect to Portuguese law or a change in a previous generally accepted position with respect to Portuguese law - including a challenge by the tax authorities as to views taken regarding applicable legislation, e.g. in the context of recent changes implementing the Anti-Tax Avoidance Directive (EU) 2016/1164 and Directive (EU) 2017/952 amending the former - resulting in payments on the relevant Series no longer being fully deductible by the Issuer for Portuguese corporate income tax purposes).

At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the relevant Series being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

During any period when the Issuer may elect to redeem the relevant Series, the market value of such Series generally will not rise substantially above the price at which they can be redeemed. This also may be true before any redemption period.

There is no limitation on issuing senior or pari passu securities.

There is no restriction on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Notes.

Each Series is subject to provisions which may permit the modification of the relevant Series without the consent of all Holders of the relevant Series.

The Paying Agency Agreement relating to each Series contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Holders of the relevant Series to consider any matter affecting their interests generally, including a modification of the relevant Series or any provision of the relevant Paying Agency Agreement. These provisions permit defined majorities to bind all Holders of the relevant Series including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

7. Risks relating to the market for the Notes

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The value of the Notes could be adversely affected by a change in law or administrative practice.

Save for Conditions 1 and 2 of each Series, the form ("*forma de representação*") and transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, which are governed by, and shall be construed in accordance with Portuguese law, the conditions of each Series are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Portuguese law or administrative practice after the date of this Prospectus and any such change could materially impact the value of any Notes affected by it.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes.

Each Series constitutes a new issue of securities by the Issuer. Prior to such issue, there will have been no public market for either Series. Although applications have been made for the Notes of each Series to be listed, there can be no assurance that an active public market for the Notes of either Series will develop and, if such a market were to develop and none of the Issuer, the Joint Lead Managers or any other person is under any obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and the EDP Group and other factors that generally influence the market prices of securities.

If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on each Series in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency equivalent yield on the relevant Series, (2) the Investor's Currency equivalent value of the principal payable on the relevant Series and (3) the Investor's Currency equivalent market value of the relevant Series.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Ratings issued in respect of each Series may no longer be able to be used for regulatory purposes if the status of the relevant rating agency changes for the purposes of the CRA Regulation or the UK CRA Regulation, as applicable.

If the status of a rating agency rating a Series changes for the purposes of the CRA Regulation or the UK CRA Regulation, as applicable, relevant regulated investors may no longer be able to use that rating for regulatory purposes in the EEA or the UK, as applicable, and the relevant Series may have a different regulatory treatment, which may impact the value of such Series and their liquidity in the secondary market.

The Notes may be delisted in the future.

Application has been made to Euronext Dublin for the Notes of each Series to be admitted to the Official List and trading on its regulated market. The Notes of the relevant Series may subsequently be delisted despite the Issuer's best efforts to maintain such listing and, although no assurance is made as to the liquidity of the Notes of either Series as a result of listing, any delisting of the Notes of the relevant Series may have a material effect on a Holder's ability to resell the Notes of such Series on the secondary market.

8. Risks related to withholding tax

For further information on the Portuguese taxation regime, please see "*Taxation – Portugal*".

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross-up payments and this would result in Holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

The Issuer will not gross up payments in respect of any withholding tax in any of the cases indicated in Condition 6 of the terms and conditions of each Series.

One of those cases is the failure by the Holders to correctly deliver evidence of non-residence status required under the Decree-Law no. 193/2005. Under Portuguese law, income derived from the Notes integrated in and held through Interbolsa, as management entity of the Portuguese Centralised System (*sistema centralizado, the Central de Valores Mobiliários*), held by non-resident investors (both individual and corporate) may be eligible for the debt securities special tax exemption regime approved by Decree-Law 193/2005, of 7 November 2005, as amended, (Decree-Law 193/2005), which establishes a withholding tax exemption, provided that certain procedures and certification requirements are complied with. Failure to comply with these procedures and certifications will result in the application of Portuguese domestic withholding tax. See details of the Portuguese taxation regime in "*Taxation – Portugal*".

Accordingly, Holders must seek their own advice to confirm whether the income received under the Notes will be subject to withholding tax and whether or not the Issuer will be obliged to make gross up payments if withholding applies. In particular, Holders that may qualify for the exemption regime foreseen in Decree-Law 193/2005 should ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Central Bank shall be incorporated in, and form part of, this Prospectus:

(i) the unaudited condensed consolidated financial statements of the Issuer for the six-month period ended 30 June 2021 and the auditors' limited review report thereon which appear on pages 65-137 and pages 157-158, respectively, of the Issuer's second quarter 2021 report, available at https://www.edp.com/sites/default/files/2021-08/R%26C_1H2021_EN.pdf (the **H1 2021 EDP Financial Statements**);

(ii) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2020 and auditors' report thereon which appear on pages 294-448 and 512-521, respectively, of the Issuer's annual report for the year ended 31 December 2020, available at https://www.edp.com/sites/default/files/2021-03/210x297_RC20_EDP_EN_0.pdf (the **2020 EDP Financial Statements**); and

(iii) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2019 and auditors' report thereon which appear on pages 227-393 and 413-423, respectively, of the Issuer's annual report for the year ended 31 December 2019, available at https://www.edp.com/sites/default/files/2020-03/RC_2019_EN.pdf.

Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Principal Paying Agent and the Portuguese Paying Agent.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NC5.5 NOTES

The following, subject to alteration, as set out in Condition 11.2 and the Paying Agency Agreement, and except for paragraphs in italics, are the terms and conditions of the NC5.5 Notes.

The issue of the €750,000,000 Fixed to Reset Rate Subordinated Notes due 2082 (the **NC5.5 Notes**) of EDP – Energias de Portugal, S.A. (the **Issuer**) was authorised by a resolution of the Executive Board of Directors on 20 July 2021. The NC5.5 Notes are evidenced by entries in the individual securities accounts opened by Holders with the Affiliate Members of Interbolsa (as defined in Condition 13). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of a deed poll (the **Interbolsa Instrument**) dated 14 September 2021 relating to the NC5.5 Notes and made by the Issuer in favour of the Holders and a paying agency agreement (the **Paying Agency Agreement**) dated 14 September 2021 relating to the NC5.5 Notes between the Issuer, Deutsche Bank AG, London Branch as initial principal paying agent (the **Principal Paying Agent**, which expression shall include any successor thereto) and calculation agent (the **Calculation Agent**) and Deutsche Bank Aktiengesellschaft – Sucursal em Portugal as paying agent (the **Portuguese Paying Agent**, which expression shall include any successor thereto, and together with the Principal Paying Agent and any other paying agent as may be nominated under the Paying Agency Agreement from time to time, the **Paying Agents**). Copies of the Interbolsa Instrument and the Paying Agency Agreement are available for inspection during usual business hours at the specified offices of the Principal Paying Agent and the Portuguese Paying Agent. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of those provisions applicable to them of the Interbolsa Instrument and the Paying Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Principal Amount

The NC5.5 Notes will be represented in dematerialised book-entry (*escriturais*) and nominative (*nominativas*) form and are issued in the principal amount (the **Principal Amount**) of €100,000 each.

1.2 Title

Title to the NC5.5 Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable regulations. Each person shown in the book-entry records of Affiliate Members of Interbolsa shall be the holder of the relevant Principal Amount of the NC5.5 Notes.

Title to the NC5.5 Notes is subject to compliance with all applicable rules, restrictions and requirements of Interbolsa, CMVM regulations and Portuguese law. No physical document of title will be issued in respect of the NC5.5 Notes.

The NC5.5 Notes will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Holders. The control account of a given Affiliate Member of Interbolsa will reflect at all times the aggregate Principal Amount of NC5.5 Notes held in the individual securities accounts of the Holders with that Affiliate Member of Interbolsa.

1.3 Holder absolute owner

The person or entity recorded in the book-entry registry of an Affiliate Member of Interbolsa (the **Book-Entry Registry** and each such entry therein, a **Book Entry**) as the holder of any NC5.5 Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).

The Issuer and the Paying Agents may (to the fullest extent permitted by applicable laws) deem and treat the person or entity registered in the Book-Entry Registry as the holder of any NC5.5 Note and the absolute owner for all purposes. Proof of such registration is made by means of a certificate issued by the relevant Affiliate Members of Interbolsa pursuant to article 78 of the Portuguese Securities Code.

1.4 Transfer of NC5.5 Notes

No Holder will be able to transfer NC5.5 Notes, or any interest therein, except in accordance with Portuguese laws and regulations. NC5.5 Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the NC5.5 Notes are held.

2. STATUS AND SUBORDINATION

2.1 Status

The NC5.5 Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Holders are subordinated as described in Condition 2.2.

2.2 Subordination

The claims of the Holders in respect of the NC5.5 Notes, including in respect of any claim to Deferred Interest Payments, will, in the event of the winding-up or insolvency of the Issuer (subject to and to the extent permitted by applicable law), rank:

(a) junior to all Senior Obligations of the Issuer;

(b) *pari passu* with each other and with the obligations of the Issuer in respect of any Parity Security; and

(c) senior only to the Issuer's ordinary shares and any other class of share capital of the Issuer that ranks *pari passu* with ordinary shares (the **Issuer Shares**).

2.3 Set-off

To the extent and in the manner permitted by applicable law, no Holder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the NC5.5 Notes and each Holder shall, by virtue of its holding of any NC5.5 Note, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

3. INTEREST

3.1 Interest

Each NC5.5 Note shall entitle the Holder thereof to receive interest in accordance with the provisions of this Condition 3.

3.2 Rate of Interest

The NC5.5 Notes bear interest at the Rate of Interest on their Principal Amount. Subject to Condition 3.4, such interest shall be payable in arrear on 14 March of each year (each of such dates, an **Interest Payment Date**). The first payment (representing a short first coupon for the period from and including the Issue Date to but excluding 14 March 2022 and amounting to €743.84 per €100,000 in Principal Amount of NC5.5 Notes) shall be made on 14 March 2022.

Rate of Interest means:

(a) from and including the Issue Date to but excluding 14 March 2027 (the **First Reset Date**), 1.50 per cent. per annum;

(b) from and including the First Reset Date to but excluding 14 March 2032 (the **First Step-Up Date**), the relevant Reset Rate of Interest;

(c) from and including the First Step-Up Date to but excluding the Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and

(d) from and including the Second Step-Up Date to but excluding the Maturity Date, the relevant Reset Rate of Interest plus 1.00 per cent. per annum,

each subject to any applicable increase pursuant to Condition 3.7.

Second Step-Up Date means: (A) if, at any time between the Issue Date and the 30th calendar day preceding the First Reset Date, the Issuer is assigned an issuer credit rating of "BBB-" or above by Standard & Poor's and does not, on the 30th calendar day preceding the First Reset Date, have an issuer credit rating assigned to it of "BB+" (or such similar nomenclature then used by Standard & Poor's) or below, 14 March 2047; and (B) otherwise 14 March 2042. Unless the NC5.5 Notes are redeemed on or prior to the First Reset Date pursuant to Condition 4, the Issuer will notify the Principal Paying Agent, the Calculation Agent and the Holders in accordance with Condition 9 that the Second Step-Up Date is either 14 March 2042 or 14 March 2047, as determined by this definition, by no later than the First Reset Date.

Interest payable per NC5.5 Note on the respective Interest Payment Date (the **Interest Amount**) shall be calculated by multiplying the Rate of Interest by the Principal Amount per NC5.5 Note and rounding the resulting figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of calendar days in the relevant period, from and including the date from which interest begins to accrue but excluding the date on which it falls due, divided by the actual number of days in the relevant year (365 or 366) in which such Interest Payment Date falls with the relevant year determined for this purpose as a calendar year beginning on and including 14 March in each year (14 March 2021 being the relevant beginning date for the first interest period from and including the Issue Date to but excluding 14 March 2022) and ending on and excluding 14 March of the following year.

3.3 Determination and publication of Reset Rate of Interest

The Reset Rate of Interest for each Reset Period will be determined by the Calculation Agent on the relevant Reset Determination Date and promptly notified by the Calculation Agent to the Issuer and the Principal Paying Agent and, if required by the rules of any stock exchange or other relevant authority on or by which the NC5.5 Notes are listed or admitted to trading from time to time, notified by the Calculation Agent to such stock exchange or other authority and to the Holders in accordance with Condition 9 without undue delay, but, in any case, not later than the relevant Reset Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions, whether by the Reference Banks (or any of them) or the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Holders and (in the absence of negligence, wilful default or manifest error) no liability to the Issuer or the Holders will attach to the Reference Banks (or any of them) or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

3.4 Interest deferral

The Issuer may determine in its sole discretion not to pay the whole or any part of the Interest Amount otherwise scheduled to be paid on an Interest Payment Date. Interest that the Issuer has elected not to pay shall not be due and payable and shall constitute a **Deferred Interest Payment**. The Issuer shall not have any obligation to pay interest on any Interest Payment Date and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of its obligations under the NC5.5 Notes or for any other purpose.

Additional interest will accrue on each Deferred Interest Payment at the then applicable Rate of Interest, and from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to (but excluding) the date on which the Deferred Interest Payment is paid, and will be added to such Deferred Interest Payment (and thereafter accumulate additional interest accordingly) on each Interest

Payment Date. Deferred Interest Payments (including any additional interest accrued thereon) will be payable in accordance with Condition 3.5.

If the Issuer decides not to pay the Interest Amount on an Interest Payment Date, the Issuer shall notify the Holders in accordance with Condition 9 and the Principal Paying Agent not less than five Business Days prior to such Interest Payment Date.

3.5 Payment of Deferred Interest Payments

(a) The Issuer may settle outstanding Deferred Interest Payments (in whole or in part) at any time on the giving of at least 5 Business Days' prior notice to the Holders in accordance with Condition 9 (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Deferred Interest Payments on the payment date specified in such notice).

(b) Notwithstanding Condition 3.5(a), all outstanding Deferred Interest Payments must be settled (in whole and not in part) on a Payment Reference Date.

Payment Reference Date means the date which is the earlier of:

(i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;

(ii) the next Interest Payment Date on which the Issuer decides to pay the interest in full;

(iii) the Maturity Date or the calendar day on which the NC5.5 Notes are otherwise redeemed; and

(iv) the calendar day on which an applicable legally binding resolution or order is made for the winding-up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

If any Payment Reference Date would fall on a calendar day which is not a Business Day, the Payment Reference Date shall be postponed to the next calendar day which is a Business Day.

Each of the following is a **Compulsory Payment Event**:

(A) the shareholders of the Issuer validly approve a proposal to pay a dividend, other distribution or payment on any Issuer Shares, other than any payment in kind using Issuer Shares;

(B) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any Issuer Shares for any consideration, except pursuant to the terms of any instrument which converts into Issuer Shares or in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option or free share allocation plan or employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants;

(C) the Issuer or any of its Subsidiaries makes any payment of interest, dividend or other distribution or payment on any Parity Securities; and

(D) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any of the NC5.5 Notes or any Parity Securities for any consideration, except pursuant to the terms of any instrument which converts into Issuer Shares or Parity Securities,

provided that, in the case of (C) and (D) above, no Compulsory Payment Event will occur if: (x) the Issuer or any of its Subsidiaries are obliged under these Conditions or under the terms and conditions of such Parity Securities to make such payment, redemption, purchase or other acquisition; or (y) the Issuer or any of its Subsidiaries repurchases or otherwise acquires any NC5.5 Notes or any Parity Securities in an open-market tender offer or exchange offer at a consideration per NC5.5 Note or Parity Security below its respective par value; or (z) the Issuer makes any *pro rata* payment of deferred interest on any Parity Securities which is made

simultaneously with a *pro rata* Deferred Interest Payment provided that such *pro rata* payment on any Parity Securities is not proportionately more than the *pro rata* Deferred Interest Payment.

3.6 Cessation of interest payments

The NC5.5 Notes shall cease to bear interest from the day on which they are due for redemption. If the Issuer shall fail to redeem the NC5.5 Notes when due, the obligation to pay interest shall continue to accrue at the then applicable Rate of Interest on the outstanding Principal Amount of the NC5.5 Notes (and any Deferred Interest Payments) beyond the due date until (and excluding) the calendar day of actual redemption of the NC5.5 Notes.

3.7 Increase in Rate of Interest

Unless an irrevocable notice to redeem the NC5.5 Notes has been given to Holders by the Issuer pursuant to Condition 4.3 on or before the 55th calendar day following the first occurrence of a Change of Control Event, the Rate of Interest will increase once by 5.00 per cent. per annum with effect from (and including) the 55th calendar day following the date on which that Change of Control Event occurred. The occurrence of the Change of Control Event will be notified by the Issuer to the Holders in accordance with Condition 9 and to the Principal Paying Agent by no later than the 15th Business Day following the relevant Change of Control Event. For the avoidance of doubt, the Rate of Interest will not increase by reason of any subsequent Change of Control Event.

A **Change of Control Event** shall occur if a Change of Control results in a Rating Downgrade within the Change of Control Period.

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the Executive Board of Directors or General and Supervisory Board) that any person (or persons) (**Relevant Person(s)**) acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

(i) acquires, or becomes entitled to exercise, control over the Issuer; or

(ii) acquires or owns, directly or indirectly, more than 50 per cent. of the issued voting share capital of the Issuer,

provided that the foregoing shall not include the control or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital. A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of the Issuer.

Change of Control Period means the period ending 120 days after the Date of Announcement.

Date of Announcement means the date of the public announcement that a Change of Control has occurred.

Investment Grade Rating means a rating of at least "BBB-" (or equivalent thereof) in the case of Standard & Poor's or a rating of at least "BBB-" (or equivalent thereof) in the case of Fitch or a rating of at least "Baa3" (or equivalent thereof) in the case of Moody's or the nearest equivalent in the case of any other Rating Agency.

Investment Grade Securities means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

Rated Securities means: (a) the € 750,000,000 1.625 per cent. Notes due 15 April 2027 (ISIN PTEDPNOM0015), issued on 15 April 2020 by EDP - Energias de Portugal, S.A.; or (b) such other comparable long-term debt of the Issuer or any Subsidiary selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

Rating Downgrade means either:

(a) within the Change of Control Period:

(i) any rating assigned to the Rated Securities is withdrawn; or

(ii) (if the Rated Securities are Investment Grade Securities as at the Date of Announcement), the Rated Securities cease to be Investment Grade Securities; or

(iii) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from "BB+" to "BB" by Standard & Poor's or Fitch and "Ba1" to "Ba2" by Moody's or such similar lowering of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of, or reduction in, rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

(b) if at the time of the Date of Announcement there are no Rated Securities, either:

(i) the Issuer does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for any Rated Securities; or

(ii) if the Issuer does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

3.8 Benchmark Event

(a) Notwithstanding the provisions above in this Condition 3, if, on or after 14 September 2026, the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to the Original Reference Rate (whether such occurrence is before, on or after 14 September 2026) when any Reset Rate of Interest (or any component part thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

(i) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.8(a)(ii) below) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.8(a)(iii) below) and any Benchmark Amendments (in accordance with Condition 3.8(a)(iv) below).

An Independent Adviser appointed pursuant to this Condition 3.8 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Calculation Agent, any Paying Agent or the Holders for any determination made by it or for any advice given to the Issuer in connection with to the operation of this Condition 3.8.

(ii) If:

(A) the Issuer and the Independent Adviser agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.8(a)(iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Rate(s) of Interest for all future

payments of interest on the NC5.5 Notes (subject to the subsequent further operation of this Condition 3.8); or

(B) the Issuer and the Independent Adviser agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.8(a)(iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Rate(s) of Interest for all future payments of interest on the NC5.5 Notes (subject to the subsequent further operation of this Condition 3.8); or

(C) either (I) the Issuer is unable to appoint an Independent Adviser or (II) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate prior to the Reset Determination Date relating to any applicable Reset Period, the fallback provisions set out in the definitions of Euro Swap Rate and Reset Reference Bank Rate in Condition 13 will continue to apply. For the avoidance of doubt, this Condition 3.8(a)(ii)(C) shall apply to the determination of the Reset Rate of Interest on the relevant Reset Determination Date only, and the Reset Rate of Interest applicable to any subsequent Reset Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.8

(iii) If the Issuer and the Independent Adviser agree (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3.8 and the Issuer and the Independent Adviser agree: (A) that amendments to these Conditions, the Interbolsa Instrument and/or the Paying Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3.8(a)(v) below, without any requirement for the consent or approval of the Holders, vary these Conditions, the Interbolsa Instrument and/or the Paying Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.8(a)(iv), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the NC5.5 Notes are for the time being listed or admitted to trading.

(v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3.8 will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 9, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Calculation Agent, the Paying Agents and the Holders.

(vi) Without prejudice to the obligations of the Issuer under this Condition 3.8(a), the Original Reference Rate and the fallback provisions provided for in the definitions of Euro Swap Rate and Reset Reference Bank Rate in Condition 13 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 3.8.

(b) Notwithstanding any other provision of this Condition 3.8:

(i) neither the Calculation Agent nor any Paying Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 3.8 if, in the reasonable opinion of the Calculation Agent or the relevant Paying Agent (as applicable), doing so would have the effect of imposing more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions in these Conditions or the Paying Agency Agreement;

(ii) if the Calculation Agent is in any way uncertain as to the application of any Successor Rate, Alternative Rate and/or Adjustment Spread determined under this Condition 3.8 in the calculation or determination of any Rate of Interest (or any component part thereof), it shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such Rate of Interest. If the Calculation Agent is not promptly provided with such direction, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so; and

(iii) no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Agency Event to occur.

(c) As used in this Condition 3.8:

Adjustment Spread means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser acting in good faith determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of an Alternative Rate, or (where (i) above does not apply) in the case of a Successor Rate, the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iii) (if the Independent Adviser determines that neither (i) nor (ii) above applies) the Independent Adviser determines to be appropriate.

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser and the Issuer agree in accordance with this Condition 3.8 has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a 5 year period in euro.

Benchmark Amendments has the meaning specified in Condition 3.8(a)(iv).

Benchmark Event means:

(i) the Original Reference Rate ceasing to exist, be administered or be published;

(ii) the later of (A) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (B) the date falling six months prior to the specified date referred to in (ii)(A) above;

(iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;

(iv) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv)(A) above;

(v) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A) above;

(vi) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, as of a specified date, no longer be representative of its relevant underlying market and (B) the date falling six months prior to the specified date referred to in (vi)(A) above; and/or

(vii) it has, or will prior to the next Reset Determination Date, become unlawful for the Issuer, the Calculation Agent, any Paying Agent or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 3.8(a) at its own expense.

Original Reference Rate means the rate described in paragraph (i) of the definition of Euro Swap Rate in Condition 13.

Relevant Nominating Body means, in respect of the Original Reference Rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

Successor Rate means a successor to or replacement of the Original Reference Rate which is provided by law or regulation applicable to indebtedness denominated in the currency to which the Original Reference Rate relates and/or formally recommended by any Relevant Nominating Body.

4. REDEMPTION AND PURCHASE

4.1 Maturity

Unless redeemed earlier in accordance with these Conditions, the NC5.5 Notes will be redeemed on 14 March 2082 (the **Maturity Date**) at their Principal Amount, together with interest accrued up to (but excluding) the Maturity Date and any outstanding Deferred Interest Payments.

4.2 Early redemption at the option of the Issuer on or after the First Par Call Date

The Issuer may redeem the NC5.5 Notes (in whole but not in part) on:

(a) any Business Day from (and including) 14 December 2026 (the **First Par Call Date**) to (and including) the First Reset Date; or

(b) any Interest Payment Date falling after the First Reset Date,

in each case at their Principal Amount, together with any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.3 Early redemption due to a Gross-up Event or Change of Control Event

If a Gross-up Event or a Change of Control Event occurs, the Issuer may redeem the NC5.5 Notes (in whole but not in part) at their Principal Amount, plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

In the case of a Gross-up Event:

(a) no such notice of redemption may be given earlier than 90 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the NC5.5 Notes were a payment in respect of the NC5.5 Notes then due; and

(b) prior to the giving of any such notice of redemption, the Issuer shall deliver or procure that there is delivered to the Principal Paying Agent:

(i) a certificate signed by any two duly authorised representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions to the exercise of the right of the Issuer to redeem have been satisfied; and

(ii) an opinion of an independent legal adviser of recognised standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts referred to in the definition of Gross-up Event.

Gross-up Event means that the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Portuguese Republic or any political subdivision or any authority of or in the Portuguese Republic, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, provided that the relevant amendment, change or execution becomes effective on or after the Issue Date and provided further that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

In the case of a Change of Control Event, such notice of redemption may only be given simultaneously with or after a notification by the Issuer in accordance with Condition 9 that a Change of Control Event has occurred.

If a Change of Control Event occurs in respect of which the Issuer intends to deliver a notice exercising its right to redeem the NC5.5 Notes, the Issuer intends (without thereby assuming a legal obligation) as soon as reasonably practicable following such Change of Control Event to make an offer to all holders of the Relevant Securities to repurchase their respective securities at the lower of:

(a) their respective market values; and

(b) their respective aggregate nominal amounts together with any distribution accrued until the day of completion of the repurchase.

The Issuer will make such tender offer in such a way as to ensure that the repurchase of any such Relevant Securities tendered to it will be effected prior to any redemption of the Securities.

"Relevant Securities" means any current or future indebtedness of the Issuer to Senior Creditors in the form of, or represented or evidenced by bonds, notes, debentures or other similar securities or instruments (or a guarantee, keep well agreement or support undertaking in respect thereof) which does not include protection for the holders thereof (for example, in the form of a put option) in the event of a change of control of the Issuer (however defined).

"Senior Creditors" means all unsubordinated creditors, present and future, of the Issuer and all subordinated creditors of the Issuer other than those whose claims (whether only in the event of the winding-up or insolvency of the Issuer or otherwise) rank, or are expressed to rank, pari passu with or junior to the claims of the Holders.

4.4 Early redemption due to a Tax Event or Rating Agency Event

If a Tax Event or a Rating Agency Event occurs, the Issuer may redeem the NC5.5 Notes (in whole but not in part) at:

(a) if such redemption occurs prior to the First Par Call Date, 101 per cent. of their Principal Amount, plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments; or

(b) if such redemption occurs on or following the First Par Call Date, their Principal Amount plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments,

on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

In the case of a Tax Event: (i) no such notice of redemption may be given earlier than 90 calendar days prior to the earliest calendar day on which payments by the Issuer on the NC5.5 Notes would no longer be fully deductible for Portuguese corporate income tax purposes were a payment in respect of the NC5.5 Notes then due; and (ii) prior to the giving of any such notice of redemption, the Issuer shall obtain an opinion from an independent legal adviser or recognised independent tax counsel which states that a Tax Event has occurred and deliver it to the Principal Paying Agent for inspection by Holders during normal business hours.

A **Tax Event** will occur if, as a result of:

(i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Portuguese Republic or any political subdivision or any taxing authority thereof or therein, or the way in which the NC5.5 Notes are recorded in the consolidated financial statements of the Issuer due to a change or amendment in applicable accounting standards, which is enacted, promulgated, issued or otherwise becomes effective on or after the Issue Date; or

(ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial

decision or regulatory determination) which is enacted, promulgated, issued or otherwise becomes effective on or after the Issue Date; or

(iii) any new official interpretation or pronouncement with respect to such laws or regulations or a generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after the Issue Date,

payments by the Issuer on the NC5.5 Notes would or will no longer be fully deductible by the Issuer for Portuguese corporate income tax purposes and such risk cannot be avoided by the Issuer taking reasonable measures available to it.

A **Rating Agency Event** shall occur if the Issuer has received confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in the assessment criteria under its hybrid capital methodology or in the interpretation thereof, in each case occurring or becoming effective after the Issue Date, any or all of the NC5.5 Notes will no longer be eligible (or if the NC5.5 Notes have been partially or fully re-financed since the Issue Date and are no longer eligible for equity credit from such Rating Agency in part or in full as a result, any or all of the NC5.5 Notes would no longer have been eligible as a result of such amendment to, clarification of or, change in the assessment criteria or in the interpretation thereof had they not been re-financed) for the same or a higher amount of "equity credit" as was attributed to the NC5.5 Notes as at the Issue Date (or, if equity credit is not assigned to the NC5.5 Notes by the relevant Rating Agency on the Issue Date, the date on which equity credit is assigned by such Rating Agency for the first time).

4.5 Make-whole redemption at the option of the Issuer before the First Par Call Date

The Issuer may redeem the NC5.5 Notes (in whole but not in part) on any Business Day prior to the First Par Call Date at the Make-whole Redemption Amount on giving not less than 10 and not more than 60 calendar days' irrevocable notice (which shall specify the date fixed for redemption (the **Make-whole Redemption Date**)) to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.6 Purchase of NC5.5 Notes

The Issuer or any Subsidiary may, in compliance with applicable laws, at any time purchase NC5.5 Notes in the open market or otherwise and at any price. Such acquired NC5.5 Notes may be cancelled, held or resold.

In the event that the Issuer and/or any Subsidiary has, severally or jointly, purchased NC5.5 Notes equal to or in excess of 75 per cent. of the sum of the aggregate Principal Amount of the NC5.5 Notes issued at the Issue Date and the aggregate Principal Amount of any NC5.5 Notes issued pursuant to Condition 8 (a **Substantial Repurchase Event**), the Issuer may redeem the remaining NC5.5 Notes (in whole but not in part) at their Principal Amount, together with any interest accrued and outstanding up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.7 No Holder right of redemption

A Holder does not have the right to (a) require any NC5.5 Note to be declared due and payable (without prejudice to Condition 10) and/or (b) require the Issuer to redeem the NC5.5 Notes.

5. PAYMENTS

5.1 Payments in respect of NC5.5 Notes

The Issuer undertakes to pay, as and when due, principal and interest as well as all other amounts payable on the NC5.5 Notes in euro. Payment of principal and interest in respect of the NC5.5 Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the Portuguese Paying Agent (acting on behalf of the Issuer) to the TARGET2 payment current accounts held (in the payment system of the Bank of Portugal or otherwise) by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with

such NC5.5 Notes and (ii) thereafter, credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those NC5.5 Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be. Payments to the Clearing System or to its order shall, to the extent of amounts so paid and provided the NC5.5 Notes are still held on behalf of the Clearing System, constitute the discharge of the Issuer from its corresponding obligations under the NC5.5 Notes.

5.2 Payments subject to applicable laws

Payments in respect of principal and interest on the NC5.5 Notes (including Deferred Interest Payments) are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 6, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6) any law implementing an intergovernmental approach thereto.

5.3 Payments on Business Days

If the due date for payment of any amount in respect of any NC5.5 Note is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

5.4 Paying Agents

The names of the Principal Paying Agent and the Portuguese Paying Agent and their specified offices are set out in Condition 13. The Issuer reserves the right at any time to vary or terminate the appointment of, and to appoint additional or other, paying agents provided that there will at all times be a paying agent in Portugal capable of making payment in respect of the NC5.5 Notes as contemplated by these terms and conditions of the NC5.5 Notes, the Paying Agency Agreement and applicable Portuguese laws and regulations.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 9.

6. TAXATION AND GROSS-UP

6.1 Additional Amounts

All amounts payable (whether in respect of principal, interest or otherwise) in respect of the NC5.5 Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction, unless the deduction or withholding of such taxes or duties is required by law. In that event, the Issuer will pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts receivable by Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the NC5.5 Notes in the absence of such deduction or withholding; except that no such additional amounts shall be payable in respect of any payment in respect of any NC5.5 Note:

(a) to, or to a third party on behalf of, a Holder or Beneficial Owner who is liable for such taxes or duties in respect of such NC5.5 Note by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the NC5.5 Note; or

(b) to, or to a third party on behalf of, a Holder or Beneficial Owner in respect of whom the information (which may include certificates) required in order to comply with Decree-Law 193/2005 of 7 November, and any implementing legislation, is not received on or earlier than the second Business

Day prior to the Relevant Date, or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; or

(c) to, or to a third party on behalf of, a Holder or Beneficial Owner resident for tax purposes in the Relevant Jurisdiction, or a resident in a country, territory or region subject to a more favourable tax regime included in the list approved by Ministerial Order ("*Portaria*") *no.* 150/2004 of 13 February (*"Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis"*) as amended from time to time (**tax havens**), issued by the Portuguese Minister of Finance and Public Administration, with the exception of (i) central banks and governmental agencies as well as international institutions recognised by the Relevant Jurisdiction of those tax havens and (ii) tax havens which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and all information required under Decree-Law no. 193/2005 regarding (i) and (ii) above are complied with; or

(d) to, or to a third party on behalf of, a Holder or Beneficial Owner, including, for the avoidance of doubt, to an undisclosed Beneficial Owner, who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(e) to, or to a third party on behalf of: (i) a Portuguese resident legal entity subject to Portuguese corporate income tax (with the exception of entities that benefit from an exemption from Portuguese withholding tax or from Portuguese income tax exemptions); or (ii) a non-resident legal person with a permanent establishment in Portugal to which the income or gains obtained from the NC5.5 Notes are attributable (with the exception of entities which benefit from a Portuguese withholding tax exemption); or

(f) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Beneficial Owner means the holder of the NC5.5 Notes who is the effective beneficiary of the income attributable thereto.

The **Relevant Jurisdiction** means the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the NC5.5 Notes.

The **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Portuguese Paying Agent on or before such due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Holders by the Issuer in accordance with Condition 9.

6.2 References

Any reference in these Conditions to "principal amount" and/or "interest" (including in relation to any Deferred Interest Payments) in respect of the NC5.5 Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 6. Unless the context otherwise requires, any reference in these Conditions to "principal" shall include any redemption amount and any other amounts in the nature of principal payable pursuant to these Conditions and "interest" shall include all amounts payable pursuant to Condition 3 and any other amounts in the nature of interest payable pursuant to these Conditions (including Deferred Interest Payments and additional interest accrued on such Deferred Interest Payments).

7. PRESCRIPTION

Subject to Condition 6, claims for payment in respect of the NC5.5 Notes will become void unless such payment is claimed within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

8. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, issue further notes having the same terms and conditions as those of the NC5.5 Notes in all respects (or in all respects except for the amount and date of the first payment of interest) so as to form a single series with the NC5.5 Notes and upon any such further issue of notes pursuant to this Condition 8 references in these Conditions to the "NC5.5 Notes" shall, unless the context otherwise requires, be deemed to include such further notes.

9. NOTICES

9.1 Notice to Holders

All notices regarding the NC5.5 Notes will be deemed to be validly given if delivered to the Clearing System for communication by it to the persons shown in its records as having interests therein. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on or by which the NC5.5 Notes are for the time being listed or admitted to trading.

9.2 Effectiveness of notices

Any notice referred to in Condition 9.1 will be deemed to have been validly given on the second Business Day after the date of such delivery to the Clearing System.

9.3 Notices from Holders

Notices to be given by any Holder may be given through the Clearing System in accordance with its standard rules and procedures.

10. EVENTS OF DEFAULT

If any of the events below (an **Event of Default**) occurs and is continuing then Holders holding not less than one quarter of the aggregate Principal Amount of the NC5.5 Notes then outstanding may, by written notice addressed to the Issuer, declare the NC5.5 Notes immediately due and payable, whereupon the NC5.5 Notes shall become immediately due and payable at their Principal Amount together with accrued interest thereon and any outstanding Deferred Interest Payments without further action or formality:

(a) upon the initiation of, or consent to, the liquidation, winding-up or dissolution of the Issuer or if the Issuer admits in writing its inability to pay its debts as and when the same fall due; or

(b) upon the application to any court (that remains undischarged for sixty days) for, or the making by any court of, an insolvency order against the Issuer; or

(c) upon the appointment by any court of an insolvency administrator or other similar officer over all or any part of the Issuer's assets (that remains undischarged for sixty days); or

(d) if default is made in the payment of any principal or interest amount that is due and payable in respect of the NC5.5 Notes or any of them and the default continues for a period of 30 days,

provided that no such event shall constitute an Event of Default if it is being contested in good faith by appropriate means by the Issuer and the Issuer has been advised by recognised independent legal advisers of good repute that it is reasonable to do so.

11. GOVERNING LAW AND JURISDICTION

11.1 Governing law

The Interbolsa Instrument, the Paying Agency Agreement and the NC5.5 Notes, and any non-contractual obligations arising out of or in connection with the Interbolsa Instrument, the Paying Agency Agreement or the NC5.5 Notes, are governed by and shall be construed in accordance with, English law, with the exception of Conditions 1 and 2 which shall be governed by Portuguese law. The form ("*forma de representação*") and transfer of the NC5.5 Notes, creation of security over the NC5.5 Notes and the Interbolsa procedures for the exercise of rights under the NC5.5 Notes are governed by and shall be construed in accordance with, Portuguese law.

11.2 Meetings

The Paying Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Paying Agency Agreement) of a modification of the NC5.5 Notes or any provisions of the Paying Agency Agreement.

11.3 Jurisdiction

(a) Subject to Condition 11.3(c), the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the NC5.5 Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the NC5.5 Notes) (a **Dispute**) and accordingly the Issuer submits to the exclusive jurisdiction of the English courts.

(b) The Issuer irrevocably and unconditionally waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, Holders may, in respect of any Dispute or Disputes, take (i) proceedings against the Issuer in any other court with jurisdiction, and (ii) concurrent proceedings in any number of jurisdictions.

11.4 Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office for the time being (being at the Issue Date at 8th Floor, 100 Bishopsgate, London EC2N 4AG) as its agent for service of process in England in respect of any Dispute, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or Condition in respect of any NC5.5 Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

13. DEFINITIONS AND INTERPRETATION

Unless the context otherwise requires, the following terms shall have the following meanings in these Conditions:

Additional Amounts has the meaning specified in Condition 6.1.

Adjustment Spread has the meaning specified in Condition 3.8.

Affiliate Member of Interbolsa means each financial institution which is licensed to act as a financial intermediary under the Portuguese Securities Code ("*Código dos Valores Mobilíarios*") and which is entitled to hold control accounts with Interbolsa on behalf of their customers (and includes any depositary banks appointed by Euroclear and/or Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg).

Agent Bank means an independent investment bank, commercial bank or stockbroker appointed by the Issuer;

Alternative Rate has the meaning specified in Condition 3.8.

Benchmark Amendments has the meaning specified in Condition 3.8(a)(iv).

Benchmark Event has the meaning specified in Condition 3.8.

Book Entry has the meaning specified in Condition 1.3.

Book-Entry Registry has the meaning specified in Condition 1.3.

Business Day means a day on which (a) commercial banks and foreign exchange markets are open for general business in London and Lisbon; and (b) TARGET2 is open.

Calculation Agent means Deutsche Bank AG, London Branch, or any successor entity.

Calculation Date means the third business day preceding the Make-whole Redemption Date; where for the purposes of this definition, **business day** means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city or cities (as determined by the Quotation Agent).

Change of Control has the meaning specified in Condition 3.7.

Change of Control Event has the meaning specified in Condition 3.7.

Change of Control Period has the meaning specified in Condition 3.7.

Clearing System and **Interbolsa** mean Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the CVM.

CMVM means the *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Commission.

Code has the meaning specified in Condition 5.2.

Compulsory Payment Event has the meaning specified in Condition 3.5.

Conditions means these terms and conditions of the NC5.5 Notes.

CVM means the Central de Valores Mobiliários, the centralised securities system managed by Interbolsa.

Date of Announcement has the meaning specified in Condition 3.7.

Deferred Interest Payment has the meaning specified in Condition 3.4.

Dispute has the meaning specified in Condition 11.3(a).

Euro Swap Rate means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period:

(i) the annual mid-swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the Reset Screen Page as of 11:00 a.m. (Central European Time) on such Reset Determination Date; or

(ii) if such rate does not appear on the Reset Screen Page on the relevant Reset Determination Date at approximately that time, the Reset Reference Bank Rate as determined by the Agent Bank on such Reset Determination Date,

subject in each case to Condition 3.8.

Event of Default has the meaning specified in Condition 10.

Executive Board of Directors means the executive board of directors of the Issuer.

First Par Call Date has the meaning specified in Condition 4.2(a).

First Reset Date has the meaning specified in Condition 3.2(a).

First Step-Up Date has the meaning specified in Condition 3.2(b).

Fitch means Fitch Ratings Limited (or any of its subsidiaries or any successor in business thereto from time to time).

General and Supervisory Board means the general and supervisory board of the Issuer.

Gross-up Event has the meaning specified in Condition 4.3.

Holders means a holder of NC5.5 Notes in accordance with the Rules.

Independent Adviser has the meaning specified in Condition 3.8.

Interbolsa Instrument has the meaning specified in the preamble to these Conditions.

Interest Amount has the meaning specified in Condition 3.2 and shall include any interest accrued on such Interest Amount pursuant to Condition 3.4.

Interest Payment Date has the meaning specified in Condition 3.2.

Investment Grade Rating has the meaning specified in Condition 3.7.

Investment Grade Securities has the meaning specified in Condition 3.7.

Issue Date means 14 September 2021.

Issuer means EDP – Energias de Portugal, S.A.

Issuer Shares has the meaning given to it in Condition 2.2.

Joint Lead Managers means Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander Totta, S.A., Caixa – Banco de Investimento, S.A., Crédit Agricole Corporate and Investment Bank, HSBC Continental Europe, ICBC Standard Bank Plc, ING Bank N.V., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho Securities Europe GmbH and MUFG Securities (Europe) N.V.

Make-whole Redemption Amount means the amount which is equal to (i) the greater of (a) the Principal Amount of the NC5.5 Notes and (b) the sum of the then present values of the remaining scheduled payments of principal and interest on the NC5.5 Notes (determined on the basis of redemption of the NC5.5 Notes in full on the First Par Call Date, and excluding any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Deferred Interest Payments) discounted to the Make-whole Redemption Date on an annual basis at a discount rate equal to the Make-whole Redemption Rate plus the Make-whole Redemption Margin, plus (ii) any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Deferred Interest Payments, all as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer and the Principal Paying Agent.

Make-whole Redemption Date has the meaning given to it in Condition 4.5.

Make-whole Redemption Margin means 0.35 per cent.

Make-whole Redemption Rate means (a) the mid-market yield to maturity of the Reference Security which appears on the Relevant Make-whole Screen Page at 11:00 a.m. (Central European Time) on the Calculation Date or (b) to the extent that the mid-market yield to maturity does not appear on the Relevant Make-whole Screen Page at such time, the arithmetic average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security at or around 11:00 a.m. (Central European Time) on the Calculation Date.

Maturity Date has the meaning specified in Condition 4.1.

Moody's means Moody's France SAS (or any of its subsidiaries or any successor in business thereto from time to time).

NC5.5 Notes has the meaning specified in the preamble to these Conditions.

Original Reference Rate has the meaning specified in Condition 3.8.

Parity Security means: (i) any security issued by the Issuer which ranks, or is expressed to rank, *pari passu* with the NC5.5 Notes; and (ii) any security guaranteed by, or subject to the benefit of a keep well agreement or support undertaking entered into by, the Issuer where the Issuer's obligations under the relevant guarantee, keep well agreement or support undertaking rank *pari passu* with the Issuer's obligations under the NC5.5 Notes.

Paying Agency Agreement has the meaning specified in the preamble to these Conditions.

Paying Agent has the meaning specified in the preamble to these Conditions.

Payment Reference Date has the meaning given to it in Condition 3.5.

Portuguese Paying Agent means Deutsche Bank Aktiengesellschaft – Sucursal em Portugal with its specified office at Rua Castilho, 20, 1250-069 Lisbon, Portugal.

Principal Amount has the meaning specified in Condition 1.1.

Principal Paying Agent means Deutsche Bank AG, London Branch with its specified office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

Quotation Agent means the agent to be appointed by the Issuer if required for the determination of the Make-whole Redemption Amount.

Rated Securities has the meaning specified in Condition 3.7.

Rate of Interest has the meaning specified in Condition 3.2.

Rating Agency means: (a) for the purposes of Condition 3.7, Moody's, Standard & Poor's or Fitch or any other rating agency of equivalent international standing specified from time to time by the Issuer; and (b) for the purposes of Condition 4.4, any of Moody's, Standard & Poor's or Fitch.

Rating Agency Event has the meaning specified in Condition 4.4.

Rating Downgrade has the meaning specified in Condition 3.7.

Redemption Date means the day on which the NC5.5 Notes become due for redemption in accordance with these Conditions.

Reference Banks means five leading swap dealers in the Eurozone interbank market selected by the Agent Bank after consultation with the Issuer.

Reference Dealers means each of the four banks (that may include one or more of the Joint Lead Managers) selected by the Quotation Agent which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

Reference Security means DBR 0.25 per cent. due 15 February 2027 (ISIN: DE0001102416). If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (Central European Time) on the Calculation Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 9, and such Similar Security shall replace the previous Reference Security for the purposes of determination of the Make-whole Redemption Amount.

Relevant Date has the meaning specified in Condition 6.1.

Relevant Jurisdiction has the meaning specified in Condition 6.1.

Relevant Make-whole Screen Page means the relevant Bloomberg screen page (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Security.

Relevant Nominating Body has the meaning specified in Condition 3.8.

Relevant Person has the meaning specified in Condition 3.7.

Reset Date means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date.

Reset Determination Date means, in relation to any Reset Period, the second Business Day prior to the Reset Date on which such Reset Period commences.

Reset Margin means 1.888 per cent. per annum.

Reset Period means the period from and including the First Reset Date to but excluding the next Reset Date and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

Reset Rate of Interest means, in relation to any Reset Period, the sum of the Euro Swap Rate in relation to that Reset Period (rounded to four decimal places, with 0.00005 being rounded down) and the Reset Margin, as determined by the Calculation Agent on the relevant Reset Determination Date.

Reset Reference Bank Rate means the percentage determined by the Agent Bank on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 12:00 noon (Central European Time) on the relevant Reset Determination Date. For this purpose, the **mid-market annual swap rate** means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a five-year term commencing on the first day of the relevant Reset Period and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to 6-month Eurozone interbank offered rate (EURIBOR) (expressed as a percentage rate per annum). The Agent Bank will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the

applicable Reset Reference Bank Rate shall be equal to the last Euro Swap Rate available on the Reset Screen Page as determined by the Calculation Agent.

Reset Screen Page means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Calculation Agent, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity.

Rules means the legislation, rules, regulations and operating procedures from time to time applicable to or stipulated by Interbolsa in relation to the CVM.

Second Step-Up Date has the meaning specified in Condition 3.2.

Senior Obligations means all obligations of the Issuer (including any obligation assumed by the Issuer under any guarantee of, or any keep well agreement) other than the obligations of the Issuer in respect of any Parity Security or the Issuer Shares.

Similar Security means a reference security or reference securities issued by the same issuer as the Reference Security having actual or interpolated maturity comparable with the remaining term of the NC5.5 Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the NC5.5 Notes.

Standard & Poor's means S&P Global Ratings Europe Limited (or any of its subsidiaries or any successor in business thereto from time to time).

Subsidiary means an entity from time to time of which the Issuer (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership.

Substantial Repurchase Event has the meaning specified in Condition 4.6.

Successor Rate has the meaning specified in Condition 3.8.

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

Tax Event has the meaning specified in Condition 4.4.

TERMS AND CONDITIONS OF THE NC8 NOTES

The following, subject to alteration, as set out in Condition 11.2 and the Paying Agency Agreement, and except for paragraphs in italics, are the terms and conditions of the NC8 Notes.

The issue of the €500,000,000 Fixed to Reset Rate Subordinated Notes due 2082 (the **NC8 Notes**) of EDP – Energias de Portugal, S.A. (the **Issuer**) was authorised by a resolution of the Executive Board of Directors on 20 July 2021. The NC8 Notes are evidenced by entries in the individual securities accounts opened by Holders with the Affiliate Members of Interbolsa (as defined in Condition 13). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of a deed poll (the **Interbolsa Instrument**) dated 14 September 2021 relating to the NC8 Notes and made by the Issuer in favour of the Holders and a paying agency agreement (the **Paying Agency Agreement**) dated 14 September 2021 relating to the NC8 Notes between the Issuer, Deutsche Bank AG, London Branch as initial principal paying agent (the **Principal Paying Agent**, which expression shall include any successor thereto) and calculation agent (the **Calculation Agent**) and Deutsche Bank Aktiengesellschaft – Sucursal em Portugal as paying agent (the **Portuguese Paying Agent**, which expression shall include any successor thereto, and together with the Principal Paying Agent and any other paying agent as may be nominated under the Paying Agency Agreement from time to time, the **Paying Agents**). Copies of the Interbolsa Instrument and the Paying Agency Agreement are available for inspection during usual business hours at the specified offices of the Principal Paying Agent and the Portuguese Paying Agent. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of those provisions applicable to them of the Interbolsa Instrument and the Paying Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Principal Amount

The NC8 Notes will be represented in dematerialised book-entry (*escriturais*) and nominative (*nominativas*) form and are issued in the principal amount (the **Principal Amount**) of €100,000 each.

1.2 Title

Title to the NC8 Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable regulations. Each person shown in the book-entry records of Affiliate Members of Interbolsa shall be the holder of the relevant Principal Amount of the NC8 Notes.

Title to the NC8 Notes is subject to compliance with all applicable rules, restrictions and requirements of Interbolsa, CMVM regulations and Portuguese law. No physical document of title will be issued in respect of the NC8 Notes.

The NC8 Notes will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Holders. The control account of a given Affiliate Member of Interbolsa will reflect at all times the aggregate Principal Amount of NC8 Notes held in the individual securities accounts of the Holders with that Affiliate Member of Interbolsa.

1.3 Holder absolute owner

The person or entity recorded in the book-entry registry of an Affiliate Member of Interbolsa (the **Book-Entry Registry** and each such entry therein, a **Book Entry**) as the holder of any NC8 Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).

The Issuer and the Paying Agents may (to the fullest extent permitted by applicable laws) deem and treat the person or entity registered in the Book-Entry Registry as the holder of any NC8 Note and the absolute owner for all purposes. Proof of such registration is made by means of a certificate issued by the relevant Affiliate Members of Interbolsa pursuant to article 78 of the Portuguese Securities Code.

1.4 Transfer of NC8 Notes

No Holder will be able to transfer NC8 Notes, or any interest therein, except in accordance with Portuguese laws and regulations. NC8 Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the NC8 Notes are held.

2. STATUS AND SUBORDINATION

2.1 Status

The NC8 Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Holders are subordinated as described in Condition 2.2.

2.2 Subordination

The claims of the Holders in respect of the NC8 Notes, including in respect of any claim to Deferred Interest Payments, will, in the event of the winding-up or insolvency of the Issuer (subject to and to the extent permitted by applicable law), rank:

(a) junior to all Senior Obligations of the Issuer;

(b) *pari passu* with each other and with the obligations of the Issuer in respect of any Parity Security; and

(c) senior only to the Issuer's ordinary shares and any other class of share capital of the Issuer that ranks *pari passu* with ordinary shares (the **Issuer Shares**).

2.3 Set-off

To the extent and in the manner permitted by applicable law, no Holder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the NC8 Notes and each Holder shall, by virtue of its holding of any NC8 Note, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

3. INTEREST

3.1 Interest

Each NC8 Note shall entitle the Holder thereof to receive interest in accordance with the provisions of this Condition 3.

3.2 Rate of Interest

The NC8 Notes bear interest at the Rate of Interest on their Principal Amount. Subject to Condition 3.4, such interest shall be payable in arrear on (a) 14 September of each year up to and including 14 September 2080 and (b) 14 March 2082 (each of such dates, an **Interest Payment Date**). The first payment shall be made on 14 September 2022. The last payment (representing a long last coupon for the period from and including 14 September 2080 to but excluding 14 March 2082) shall be made on 14 March 2082.

Rate of Interest means:

(a) from and including the Issue Date to but excluding 14 September 2029 (the **First Reset Date**), 1.875 per cent. per annum;

(b) from and including the First Reset Date to but excluding 14 September 2034 (the **First Step-Up Date**), the relevant Reset Rate of Interest;

(c) from and including the First Step-Up Date to but excluding the Second Step-Up Date, the relevant Reset Rate of Interest plus 0.25 per cent. per annum; and

(d) from and including the Second Step-Up Date to but excluding the Maturity Date, the relevant Reset Rate of Interest plus 1.00 per cent. per annum,

each subject to any applicable increase pursuant to Condition 3.7.

Second Step-Up Date means: (A) if, at any time between the Issue Date and the 30th calendar day preceding the First Reset Date, the Issuer is assigned an issuer credit rating of "BBB-" or above by Standard & Poor's and does not, on the 30th calendar day preceding the First Reset Date, have an issuer credit rating assigned to it of "BB+" (or such similar nomenclature then used by Standard & Poor's) or below, 14 September 2049; and (B) otherwise 14 September 2044. Unless the NC8 Notes are redeemed on or prior to the First Reset Date pursuant to Condition 4, the Issuer will notify the Principal Paying Agent, the Calculation Agent and the Holders in accordance with Condition 9 that the Second Step-Up Date is either 14 September 2044 or 14 September 2049, as determined by this definition, by no later than the First Reset Date.

Interest payable per NC8 Note on the respective Interest Payment Date (the **Interest Amount**) shall be calculated by (i) in the case of any Interest Payment Date falling on or before 14 September 2080, multiplying the Rate of Interest by the Principal Amount per NC8 Note and (ii) in the case of the Interest Payment Date falling on the Maturity Date, multiplying the Rate of Interest by the Principal Amount per NC8 Note and then multiplying the result by (a) the number of calendar days in the relevant interest period divided by (b) 365, and in each case rounding the resulting figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. If interest is to be calculated for a period of less than one year commencing before 14 September 2080, it shall be calculated on the basis of the actual number of calendar days in the relevant period, from and including the date from which interest begins to accrue but excluding the date on which it falls due, divided by the actual number of days in the relevant year (365 or 366) in which such Interest Payment Date falls with the relevant year determined for this purpose as a calendar year beginning on and including 14 September in each year (14 September 2021 being the relevant beginning date for the first interest period from and including the Issue Date to but excluding 14 September 2022) and ending on and excluding 14 September of the following year. If interest is to be calculated for the period commencing on 14 September 2080 but ending before the calendar day immediately preceding the Maturity Date, it shall be calculated on the basis of (i) the Rate of Interest as adjusted in respect of the period from and including 14 September 2080 to but excluding the Maturity Date and (ii) the actual number of calendar days in the relevant period, from and including 14 September 2080 to but excluding the date on which it falls due, divided by 546 (representing the actual number of days in the period from and including 14 September 2080 to but excluding the Maturity Date).

3.3 Determination and publication of Reset Rate of Interest

The Reset Rate of Interest for each Reset Period will be determined by the Calculation Agent on the relevant Reset Determination Date and promptly notified by the Calculation Agent to the Issuer and the Principal Paying Agent and, if required by the rules of any stock exchange or other relevant authority on or by which the NC8 Notes are listed or admitted to trading from time to time, notified by the Calculation Agent to such stock exchange or other authority and to the Holders in accordance with Condition 9 without undue delay, but, in any case, not later than the relevant Reset Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Conditions, whether by the Reference Banks (or any of them) or the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Holders and (in the absence of negligence, wilful default or manifest error) no liability to the Issuer or the Holders will attach to the Reference Banks (or any of them) or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

3.4 Interest deferral

The Issuer may determine in its sole discretion not to pay the whole or any part of the Interest Amount otherwise scheduled to be paid on an Interest Payment Date. Interest that the Issuer has elected not to pay

shall not be due and payable and shall constitute a **Deferred Interest Payment**. The Issuer shall not have any obligation to pay interest on any Interest Payment Date and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of its obligations under the NC8 Notes or for any other purpose.

Additional interest will accrue on each Deferred Interest Payment at the then applicable Rate of Interest, and from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to (but excluding) the date on which the Deferred Interest Payment is paid, and will be added to such Deferred Interest Payment (and thereafter accumulate additional interest accordingly) on each Interest Payment Date. Deferred Interest Payments (including any additional interest accrued thereon) will be payable in accordance with Condition 3.5.

If the Issuer decides not to pay the Interest Amount on an Interest Payment Date, the Issuer shall notify the Holders in accordance with Condition 9 and the Principal Paying Agent not less than five Business Days prior to such Interest Payment Date.

3.5 Payment of Deferred Interest Payments

(a) The Issuer may settle outstanding Deferred Interest Payments (in whole or in part) at any time on the giving of at least 5 Business Days' prior notice to the Holders in accordance with Condition 9 (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Deferred Interest Payments on the payment date specified in such notice).

(b) Notwithstanding Condition 3.5(a), all outstanding Deferred Interest Payments must be settled (in whole and not in part) on a Payment Reference Date.

Payment Reference Date means the date which is the earlier of:

(i) the date which is 10 Business Days following the occurrence of a Compulsory Payment Event;

(ii) the next Interest Payment Date on which the Issuer decides to pay the interest in full;

(iii) the Maturity Date or the calendar day on which the NC8 Notes are otherwise redeemed; and

(iv) the calendar day on which an applicable legally binding resolution or order is made for the winding-up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

If any Payment Reference Date would fall on a calendar day which is not a Business Day, the Payment Reference Date shall be postponed to the next calendar day which is a Business Day.

Each of the following is a **Compulsory Payment Event**:

(A) the shareholders of the Issuer validly approve a proposal to pay a dividend, other distribution or payment on any Issuer Shares, other than any payment in kind using Issuer Shares;

(B) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any Issuer Shares for any consideration, except pursuant to the terms of any instrument which converts into Issuer Shares or in connection with the satisfaction by the Issuer of its obligations under any existing or future buy-back programme, share option or free share allocation plan or employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants;

(C) the Issuer or any of its Subsidiaries makes any payment of interest, dividend or other distribution or payment on any Parity Securities; and

(D) the Issuer redeems, or the Issuer or any of its Subsidiaries purchases or otherwise acquires, any of the NC8 Notes or any Parity Securities for any consideration, except pursuant to the terms of any instrument which converts into Issuer Shares or Parity Securities,

provided that, in the case of (C) and (D) above, no Compulsory Payment Event will occur if: (x) the Issuer or any of its Subsidiaries are obliged under these Conditions or under the terms and conditions of such Parity Securities to make such payment, redemption, purchase or other acquisition; or (y) the Issuer or any of its Subsidiaries repurchases or otherwise acquires any NC8 Notes or any Parity Securities in an open-market tender offer or exchange offer at a consideration per NC8 Note or Parity Security below its respective par value; or (z) the Issuer makes any *pro rata* payment of deferred interest on any Parity Securities which is made simultaneously with a *pro rata* Deferred Interest Payment provided that such *pro rata* payment on any Parity Securities is not proportionately more than the *pro rata* Deferred Interest Payment.

3.6 Cessation of interest payments

The NC8 Notes shall cease to bear interest from the day on which they are due for redemption. If the Issuer shall fail to redeem the NC8 Notes when due, the obligation to pay interest shall continue to accrue at the then applicable Rate of Interest on the outstanding Principal Amount of the NC8 Notes (and any Deferred Interest Payments) beyond the due date until (and excluding) the calendar day of actual redemption of the NC8 Notes.

3.7 Increase in Rate of Interest

Unless an irrevocable notice to redeem the NC8 Notes has been given to Holders by the Issuer pursuant to Condition 4.3 on or before the 55th calendar day following the first occurrence of a Change of Control Event, the Rate of Interest will increase once by 5.00 per cent. per annum with effect from (and including) the 55th calendar day following the date on which that Change of Control Event occurred. The occurrence of the Change of Control Event will be notified by the Issuer to the Holders in accordance with Condition 9 and to the Principal Paying Agent by no later than the 15th Business Day following the relevant Change of Control Event. For the avoidance of doubt, the Rate of Interest will not increase by reason of any subsequent Change of Control Event.

A **Change of Control Event** shall occur if a Change of Control results in a Rating Downgrade within the Change of Control Period.

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the Executive Board of Directors or General and Supervisory Board) that any person (or persons) (**Relevant Person(s)**) acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

(i) acquires, or becomes entitled to exercise, control over the Issuer; or

(ii) acquires or owns, directly or indirectly, more than 50 per cent. of the issued voting share capital of the Issuer,

provided that the foregoing shall not include the control or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital. A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of the Issuer.

Change of Control Period means the period ending 120 days after the Date of Announcement.

Date of Announcement means the date of the public announcement that a Change of Control has occurred.

Investment Grade Rating means a rating of at least "BBB-" (or equivalent thereof) in the case of Standard & Poor's or a rating of at least "BBB-" (or equivalent thereof) in the case of Fitch or a rating of at least "Baa3" (or equivalent thereof) in the case of Moody's or the nearest equivalent in the case of any other Rating Agency.

Investment Grade Securities means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

Rated Securities means: (a) the € 750,000,000 1.625 per cent. Notes due 15 April 2027 (ISIN PTEDPNOM0015), issued on 15 April 2020 by EDP - Energias de Portugal, S.A.; or (b) such other comparable long-term debt of the Issuer or any Subsidiary selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

Rating Downgrade means either:

(b) within the Change of Control Period:

(i) any rating assigned to the Rated Securities is withdrawn; or

(ii) (if the Rated Securities are Investment Grade Securities as at the Date of Announcement), the Rated Securities cease to be Investment Grade Securities; or

(iii) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from "BB+" to "BB" by Standard & Poor's or Fitch and "Ba1" to "Ba2" by Moody's or such similar lowering of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of, or reduction in, rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

(c) if at the time of the Date of Announcement there are no Rated Securities, either:

(i) the Issuer does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for any Rated Securities; or

(ii) if the Issuer does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

3.8 Benchmark Event

(a) Notwithstanding the provisions above in this Condition 3, if, on or after 14 March 2029, the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to the Original Reference Rate (whether such occurrence is before, on or after 14 March 2029) when any Reset Rate of Interest (or any component part thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

(i) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.8(a)(ii) below) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.8(a)(iii) below) and any Benchmark Amendments (in accordance with Condition 3.8(a)(iv) below).

An Independent Adviser appointed pursuant to this Condition 3.8 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Calculation Agent, any Paying Agent or the Holders for any determination made by it or for any advice given to the Issuer in connection with to the operation of this Condition 3.8.

(ii) If:

(A) the Issuer and the Independent Adviser agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.8(a)(iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Rate(s) of Interest for all future payments of interest on the NC8 Notes (subject to the subsequent further operation of this Condition 3.8); or

(B) the Issuer and the Independent Adviser agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.8(a)(iii) below) subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Rate(s) of Interest for all future payments of interest on the NC8 Notes (subject to the subsequent further operation of this Condition 3.8); or

(C) either (I) the Issuer is unable to appoint an Independent Adviser or (II) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate prior to the Reset Determination Date relating to any applicable Reset Period, the fallback provisions set out in the definitions of Euro Swap Rate and Reset Reference Bank Rate in Condition 13 will continue to apply. For the avoidance of doubt, this Condition 3.8(a)(ii)(C) shall apply to the determination of the Reset Rate of Interest on the relevant Reset Determination Date only, and the Reset Rate of Interest applicable to any subsequent Reset Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.8

(iii) If the Issuer and the Independent Adviser agree (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3.8 and the Issuer and the Independent Adviser agree: (A) that amendments to these Conditions, the Interbolsa Instrument and/or the Paying Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3.8(a)(v) below, without any requirement for the consent or approval of the Holders, vary these Conditions, the Interbolsa Instrument and/or the Paying Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.8(a)(iv), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the NC8 Notes are for the time being listed or admitted to trading.

(v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3.8 will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 9, the Holders. Such notice shall be irrevocable and shall specify the effective date of the

Benchmark Amendments, if any and will be binding on the Issuer, the Calculation Agent, the Paying Agents and the Holders.

(vi) Without prejudice to the obligations of the Issuer under this Condition 3.8(a), the Original Reference Rate and the fallback provisions provided for in the definitions of Euro Swap Rate and Reset Reference Bank Rate in Condition 13 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 3.8.

(b) Notwithstanding any other provision of this Condition 3.8:

(i) neither the Calculation Agent nor any Paying Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 3.8 if, in the reasonable opinion of the Calculation Agent or the relevant Paying Agent (as applicable), doing so would have the effect of imposing more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions in these Conditions or the Paying Agency Agreement;

(ii) if the Calculation Agent is in any way uncertain as to the application of any Successor Rate, Alternative Rate and/or Adjustment Spread determined under this Condition 3.8 in the calculation or determination of any Rate of Interest (or any component part thereof), it shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such Rate of Interest. If the Calculation Agent is not promptly provided with such direction, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so; and

(iii) no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Agency Event to occur.

(c) As used in this Condition 3.8:

Adjustment Spread means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser acting in good faith determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of an Alternative Rate, or (where (i) above does not apply) in the case of a Successor Rate, the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iii) (if the Independent Adviser determines that neither (i) nor (ii) above applies) the Independent Adviser determines to be appropriate.

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser and the Issuer agree in accordance with this Condition 3.8 has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a 5 year period in euro.

Benchmark Amendments has the meaning specified in Condition 3.8(a)(iv).

Benchmark Event means:

(i) the Original Reference Rate ceasing to exist, be administered or be published;

(ii) the later of (A) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (B) the date falling six months prior to the specified date referred to in (ii)(A) above;

(iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;

(iv) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv)(A) above;

(v) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A) above;

(vi) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, as of a specified date, no longer be representative of its relevant underlying market and (B) the date falling six months prior to the specified date referred to in (vi)(A) above; and/or

(vii) it has, or will prior to the next Reset Determination Date, become unlawful for the Issuer, the Calculation Agent, any Paying Agent or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 3.8(a) at its own expense.

Original Reference Rate means the rate described in paragraph (i) of the definition of Euro Swap Rate in Condition 13.

Relevant Nominating Body means, in respect of the Original Reference Rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank, reserve bank, monetary authority or any similar institution for

the currency to which the Original Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

Successor Rate means a successor to or replacement of the Original Reference Rate which is provided by law or regulation applicable to indebtedness denominated in the currency to which the Original Reference Rate relates and/or formally recommended by any Relevant Nominating Body.

4. REDEMPTION AND PURCHASE

4.1 Maturity

Unless redeemed earlier in accordance with these Conditions, the NC8 Notes will be redeemed on 14 March 2082 (the **Maturity Date**) at their Principal Amount, together with interest accrued up to (but excluding) the Maturity Date and any outstanding Deferred Interest Payments.

4.2 Early redemption at the option of the Issuer on or after the First Par Call Date

The Issuer may redeem the NC8 Notes (in whole but not in part) on:

(a) any Business Day from (and including) 14 June 2029 (the **First Par Call Date**) to (and including) the First Reset Date; or

(b) any Interest Payment Date falling after the First Reset Date,

in each case at their Principal Amount, together with any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.3 Early redemption due to a Gross-up Event or Change of Control Event

If a Gross-up Event or a Change of Control Event occurs, the Issuer may redeem the NC8 Notes (in whole but not in part) at their Principal Amount, plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

In the case of a Gross-up Event:

(a) no such notice of redemption may be given earlier than 90 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the NC8 Notes were a payment in respect of the NC8 Notes then due; and

(b) prior to the giving of any such notice of redemption, the Issuer shall deliver or procure that there is delivered to the Principal Paying Agent:

(i) a certificate signed by any two duly authorised representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions to the exercise of the right of the Issuer to redeem have been satisfied; and

(ii) an opinion of an independent legal adviser of recognised standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts referred to in the definition of Gross-up Event.

Gross-up Event means that the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws (or any rules or regulations thereunder) of the Portuguese Republic or any political subdivision or any authority of or in the Portuguese Republic, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, provided that the relevant amendment, change or execution becomes effective on or after the Issue Date and provided further that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

In the case of a Change of Control Event, such notice of redemption may only be given simultaneously with or after a notification by the Issuer in accordance with Condition 9 that a Change of Control Event has occurred.

If a Change of Control Event occurs in respect of which the Issuer intends to deliver a notice exercising its right to redeem the NC8 Notes, the Issuer intends (without thereby assuming a legal obligation) as soon as reasonably practicable following such Change of Control Event to make an offer to all holders of the Relevant Securities to repurchase their respective securities at the lower of:

(a) their respective market values; and

(b) their respective aggregate nominal amounts together with any distribution accrued until the day of completion of the repurchase.

The Issuer will make such tender offer in such a way as to ensure that the repurchase of any such Relevant Securities tendered to it will be effected prior to any redemption of the Securities.

"Relevant Securities" means any current or future indebtedness of the Issuer to Senior Creditors in the form of, or represented or evidenced by bonds, notes, debentures or other similar securities or instruments (or a guarantee, keep well agreement or support undertaking in respect thereof) which does not include protection for the holders thereof (for example, in the form of a put option) in the event of a change of control of the Issuer (however defined).

"Senior Creditors" means all unsubordinated creditors, present and future, of the Issuer and all subordinated creditors of the Issuer other than those whose claims (whether only in the event of the winding-up or insolvency of the Issuer or otherwise) rank, or are expressed to rank, pari passu with or junior to the claims of the Holders.

4.4 Early redemption due to a Tax Event or Rating Agency Event

If a Tax Event or a Rating Agency Event occurs, the Issuer may redeem the NC8 Notes (in whole but not in part) at:

(a) if such redemption occurs prior to the First Par Call Date, 101 per cent. of their Principal Amount, plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments; or

(b) if such redemption occurs on or following the First Par Call Date, their Principal Amount plus any interest accrued up to (but excluding) the Redemption Date and any outstanding Deferred Interest Payments,

on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

In the case of a Tax Event: (i) no such notice of redemption may be given earlier than 90 calendar days prior to the earliest calendar day on which payments by the Issuer on the NC8 Notes would no longer be fully deductible for Portuguese corporate income tax purposes were a payment in respect of the NC8 Notes then due; and (ii) prior to the giving of any such notice of redemption, the Issuer shall obtain an opinion from an independent legal adviser or recognised independent tax counsel which states that a Tax Event has occurred and deliver it to the Principal Paying Agent for inspection by Holders during normal business hours.

A **Tax Event** will occur if, as a result of:

(i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Portuguese Republic or any political subdivision or any taxing authority thereof or therein, or the way in which the NC8 Notes are recorded in the consolidated financial statements of the Issuer due to a change or amendment in applicable accounting standards, which is enacted, promulgated, issued or otherwise becomes effective on or after the Issue Date; or

(ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or otherwise becomes effective on or after the Issue Date; or

(iii) any new official interpretation or pronouncement with respect to such laws or regulations or a generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced on or after the Issue Date,

payments by the Issuer on the NC8 Notes would or will no longer be fully deductible by the Issuer for Portuguese corporate income tax purposes and such risk cannot be avoided by the Issuer taking reasonable measures available to it.

A **Rating Agency Event** shall occur if the Issuer has received confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in the assessment criteria under its hybrid capital methodology or in the interpretation thereof, in each case occurring or becoming effective after the Issue Date, any or all of the NC8 Notes will no longer be eligible (or if the NC8 Notes have been partially or fully re-financed since the Issue Date and are no longer eligible for equity credit from such Rating Agency in part or in full as a result, any or all of the NC8 Notes would no longer have been eligible as a result of such amendment to, clarification of or, change in the assessment criteria or in the interpretation thereof had they not been re-financed) for the same or a higher amount of "equity credit" as was attributed to the NC8 Notes as at the Issue Date (or, if equity credit is not assigned to the NC8 Notes by the relevant Rating Agency on the Issue Date, the date on which equity credit is assigned by such Rating Agency for the first time).

4.5 Make-whole redemption at the option of the Issuer before the First Par Call Date

The Issuer may redeem the NC8 Notes (in whole but not in part) on any Business Day prior to the First Par Call Date at the Make-whole Redemption Amount on giving not less than 10 and not more than 60 calendar days' irrevocable notice (which shall specify the date fixed for redemption (the **Make-whole Redemption Date**)) to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.6 Purchase of NC8 Notes

The Issuer or any Subsidiary may, in compliance with applicable laws, at any time purchase NC8 Notes in the open market or otherwise and at any price. Such acquired NC8 Notes may be cancelled, held or resold.

In the event that the Issuer and/or any Subsidiary has, severally or jointly, purchased NC8 Notes equal to or in excess of 75 per cent. of the sum of the aggregate Principal Amount of the NC8 Notes issued at the Issue Date and the aggregate Principal Amount of any NC8 Notes issued pursuant to Condition 8 (a **Substantial Repurchase Event**), the Issuer may redeem the remaining NC8 Notes (in whole but not in part) at their Principal Amount, together with any interest accrued and outstanding up to (but excluding) the relevant Redemption Date and any outstanding Deferred Interest Payments, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 9 and to the Principal Paying Agent.

4.7 No Holder right of redemption

A Holder does not have the right to (a) require any NC8 Note to be declared due and payable (without prejudice to Condition 10) and/or (b) require the Issuer to redeem the NC8 Notes.

5. PAYMENTS

5.1 Payments in respect of NC8 Notes

The Issuer undertakes to pay, as and when due, principal and interest as well as all other amounts payable on the NC8 Notes in euro. Payment of principal and interest in respect of the NC8 Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the Portuguese Paying Agent (acting on behalf of the Issuer) to the TARGET2 payment current accounts held (in the payment system of the Bank of Portugal or otherwise) by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such NC8 Notes and (ii) thereafter, credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the Holders or through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those NC8 Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be. Payments to the Clearing System or to its order shall, to the extent of amounts so paid and provided the NC8 Notes are still held on behalf of the Clearing System, constitute the discharge of the Issuer from its corresponding obligations under the NC8 Notes.

5.2 Payments subject to applicable laws

Payments in respect of principal and interest on the NC8 Notes (including Deferred Interest Payments) are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 6, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6) any law implementing an intergovernmental approach thereto.

5.3 Payments on Business Days

If the due date for payment of any amount in respect of any NC8 Note is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

5.4 Paying Agents

The names of the Principal Paying Agent and the Portuguese Paying Agent and their specified offices are set out in Condition 13. The Issuer reserves the right at any time to vary or terminate the appointment of, and to appoint additional or other, paying agents provided that there will at all times be a paying agent in Portugal capable of making payment in respect of the NC8 Notes as contemplated by these terms and conditions of the NC8 Notes, the Paying Agency Agreement and applicable Portuguese laws and regulations.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 9.

6. TAXATION AND GROSS-UP

6.1 Additional Amounts

All amounts payable (whether in respect of principal, interest or otherwise) in respect of the NC8 Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction, unless the deduction or withholding of such taxes or duties is required by law. In that event, the Issuer will pay such additional

amounts (**Additional Amounts**) as shall be necessary in order that the net amounts receivable by Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the NC8 Notes in the absence of such deduction or withholding; except that no such additional amounts shall be payable in respect of any payment in respect of any NC8 Note:

(a) to, or to a third party on behalf of, a Holder or Beneficial Owner who is liable for such taxes or duties in respect of such NC8 Note by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the NC8 Note; or

(b) to, or to a third party on behalf of, a Holder or Beneficial Owner in respect of whom the information (which may include certificates) required in order to comply with Decree-Law 193/2005 of 7 November, and any implementing legislation, is not received on or earlier than the second Business Day prior to the Relevant Date, or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; or

(c) to, or to a third party on behalf of, a Holder or Beneficial Owner resident for tax purposes in the Relevant Jurisdiction, or a resident in a country, territory or region subject to a more favourable tax regime included in the list approved by Ministerial Order ("*Portaria*") *no.* 150/2004 of 13 February ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*") as amended from time to time (**tax havens**), issued by the Portuguese Minister of Finance and Public Administration, with the exception of (i) central banks and governmental agencies as well as international institutions recognised by the Relevant Jurisdiction of those tax havens and (ii) tax havens which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and all information required under Decree-Law no. 193/2005 regarding (i) and (ii) above are complied with; or

(d) to, or to a third party on behalf of, a Holder or Beneficial Owner, including, for the avoidance of doubt, to an undisclosed Beneficial Owner, who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(e) to, or to a third party on behalf of: (i) a Portuguese resident legal entity subject to Portuguese corporate income tax (with the exception of entities that benefit from an exemption from Portuguese withholding tax or from Portuguese income tax exemptions); or (ii) a non-resident legal person with a permanent establishment in Portugal to which the income or gains obtained from the NC8 Notes are attributable (with the exception of entities which benefit from a Portuguese withholding tax exemption); or

(f) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Beneficial Owner means the holder of the NC8 Notes who is the effective beneficiary of the income attributable thereto.

The **Relevant Jurisdiction** means the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the NC8 Notes.

The **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Portuguese Paying Agent on or before such due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Holders by the Issuer in accordance with Condition 9.

6.2 References

Any reference in these Conditions to "principal amount" and/or "interest" (including in relation to any Deferred Interest Payments) in respect of the NC8 Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 6. Unless the context otherwise requires, any reference in these Conditions to "principal" shall include any redemption amount and any other amounts in the nature of principal payable pursuant to these Conditions and "interest" shall include all amounts payable pursuant to Condition 3 and any other amounts in the nature of interest payable pursuant to these Conditions (including Deferred Interest Payments and additional interest accrued on such Deferred Interest Payments).

7. PRESCRIPTION

Subject to Condition 6, claims for payment in respect of the NC8 Notes will become void unless such payment is claimed within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

8. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, issue further notes having the same terms and conditions as those of the NC8 Notes in all respects (or in all respects except for the amount and date of the first payment of interest) so as to form a single series with the NC8 Notes and upon any such further issue of notes pursuant to this Condition 8 references in these Conditions to the "NC8 Notes" shall, unless the context otherwise requires, be deemed to include such further notes.

9. NOTICES

9.1 Notice to Holders

All notices regarding the NC8 Notes will be deemed to be validly given if delivered to the Clearing System for communication by it to the persons shown in its records as having interests therein. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on or by which the NC8 Notes are for the time being listed or admitted to trading.

9.2 Effectiveness of notices

Any notice referred to in Condition 9.1 will be deemed to have been validly given on the second Business Day after the date of such delivery to the Clearing System.

9.3 Notices from Holders

Notices to be given by any Holder may be given through the Clearing System in accordance with its standard rules and procedures.

10. EVENTS OF DEFAULT

If any of the events below (an **Event of Default**) occurs and is continuing then Holders holding not less than one quarter of the aggregate Principal Amount of the NC8 Notes then outstanding may, by written notice addressed to the Issuer, declare the NC8 Notes immediately due and payable, whereupon the NC8 Notes shall become immediately due and payable at their Principal Amount together with accrued interest thereon and any outstanding Deferred Interest Payments without further action or formality:

(a) upon the initiation of, or consent to, the liquidation, winding-up or dissolution of the Issuer or if the Issuer admits in writing its inability to pay its debts as and when the same fall due; or

(b) upon the application to any court (that remains undischarged for sixty days) for, or the making by any court of, an insolvency order against the Issuer; or

(c) upon the appointment by any court of an insolvency administrator or other similar officer over all or any part of the Issuer's assets (that remains undischarged for sixty days); or

(d) if default is made in the payment of any principal or interest amount that is due and payable in respect of the NC8 Notes or any of them and the default continues for a period of 30 days,

provided that no such event shall constitute an Event of Default if it is being contested in good faith by appropriate means by the Issuer and the Issuer has been advised by recognised independent legal advisers of good repute that it is reasonable to do so.

11. GOVERNING LAW AND JURISDICTION

11.1 Governing law

The Interbolsa Instrument, the Paying Agency Agreement and the NC8 Notes, and any non-contractual obligations arising out of or in connection with the Interbolsa Instrument, the Paying Agency Agreement or the NC8 Notes, are governed by and shall be construed in accordance with, English law, with the exception of Conditions 1 and 2 which shall be governed by Portuguese law. The form ("*forma de representação*") and transfer of the NC8 Notes, creation of security over the NC8 Notes and the Interbolsa procedures for the exercise of rights under the NC8 Notes are governed by and shall be construed in accordance with, Portuguese law.

11.2 Meetings

The Paying Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Paying Agency Agreement) of a modification of the NC8 Notes or any provisions of the Paying Agency Agreement.

11.3 Jurisdiction

(a) Subject to Condition 11.3(c), the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the NC8 Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the NC8 Notes) (a **Dispute**) and accordingly the Issuer submits to the exclusive jurisdiction of the English courts.

(b) The Issuer irrevocably and unconditionally waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, Holders may, in respect of any Dispute or Disputes, take (i) proceedings against the Issuer in any other court with jurisdiction, and (ii) concurrent proceedings in any number of jurisdictions.

11.4 Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office for the time being (being at the Issue Date at 8th Floor, 100 Bishopsgate, London EC2N 4AG) as its agent for service of process in England in respect of any Dispute, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or Condition in respect of any NC8 Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

13. DEFINITIONS AND INTERPRETATION

Unless the context otherwise requires, the following terms shall have the following meanings in these Conditions:

Additional Amounts has the meaning specified in Condition 6.1.

Adjustment Spread has the meaning specified in Condition 3.8.

Affiliate Member of Interbolsa means each financial institution which is licensed to act as a financial intermediary under the Portuguese Securities Code ("*Código dos Valores Mobilíarios*") and which is entitled to hold control accounts with Interbolsa on behalf of their customers (and includes any depositary banks appointed by Euroclear and/or Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg).

Agent Bank means an independent investment bank, commercial bank or stockbroker appointed by the Issuer;

Alternative Rate has the meaning specified in Condition 3.8.

Benchmark Amendments has the meaning specified in Condition 3.8(a)(iv).

Benchmark Event has the meaning specified in Condition 3.8.

Book Entry has the meaning specified in Condition 1.3.

Book-Entry Registry has the meaning specified in Condition 1.3.

Business Day means a day on which (a) commercial banks and foreign exchange markets are open for general business in London and Lisbon; and (b) TARGET2 is open.

Calculation Agent means Deutsche Bank AG, London Branch, or any successor entity.

Calculation Date means the third business day preceding the Make-whole Redemption Date; where for the purposes of this definition, **business day** means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city or cities (as determined by the Quotation Agent).

Change of Control has the meaning specified in Condition 3.7.

Change of Control Event has the meaning specified in Condition 3.7.

Change of Control Period has the meaning specified in Condition 3.7.

Clearing System and **Interbolsa** mean Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the CVM.

CMVM means the *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Commission.

Code has the meaning specified in Condition 5.2.

Compulsory Payment Event has the meaning specified in Condition 3.5.

Conditions means these terms and conditions of the NC8 Notes.

CVM means the Central de Valores Mobiliários, the centralised securities system managed by Interbolsa.

Date of Announcement has the meaning specified in Condition 3.7.

Deferred Interest Payment has the meaning specified in Condition 3.4.

Dispute has the meaning specified in Condition 11.3(a).

Euro Swap Rate means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period:

(i) the annual mid-swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the Reset Screen Page as of 11:00 a.m. (Central European Time) on such Reset Determination Date; or

(ii) if such rate does not appear on the Reset Screen Page on the relevant Reset Determination Date at approximately that time, the Reset Reference Bank Rate as determined by the Agent Bank on such Reset Determination Date,

subject in each case to Condition 3.8.

Event of Default has the meaning specified in Condition 10.

Executive Board of Directors means the executive board of directors of the Issuer.

First Par Call Date has the meaning specified in Condition 4.2(a).

First Reset Date has the meaning specified in Condition 3.2(a).

First Step-Up Date has the meaning specified in Condition 3.2(b).

Fitch means Fitch Ratings Limited (or any of its subsidiaries or any successor in business thereto from time to time).

General and Supervisory Board means the general and supervisory board of the Issuer.

Gross-up Event has the meaning specified in Condition 4.3.

Holders means a holder of NC8 Notes in accordance with the Rules.

Independent Adviser has the meaning specified in Condition 3.8.

Interbolsa Instrument has the meaning specified in the preamble to these Conditions.

Interest Amount has the meaning specified in Condition 3.2 and shall include any interest accrued on such Interest Amount pursuant to Condition 3.4.

Interest Payment Date has the meaning specified in Condition 3.2.

Investment Grade Rating has the meaning specified in Condition 3.7.

Investment Grade Securities has the meaning specified in Condition 3.7.

Issue Date means 14 September 2021.

Issuer means EDP – Energias de Portugal, S.A.

Issuer Shares has the meaning given to it in Condition 2.2.

Joint Lead Managers means Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander Totta, S.A., Caixa – Banco de Investimento, S.A., Crédit Agricole Corporate and Investment Bank, HSBC Continental Europe, ICBC Standard Bank Plc, ING Bank N.V., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho Securities Europe GmbH and MUFG Securities (Europe) N.V.

Make-whole Redemption Amount means the amount which is equal to (i) the greater of (a) the Principal Amount of the NC8 Notes and (b) the sum of the then present values of the remaining scheduled payments of principal and interest on the NC8 Notes (determined on the basis of redemption of the NC8 Notes in full on the First Par Call Date, and excluding any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Deferred Interest Payments) discounted to the Make-whole Redemption Date on an annual basis at a discount rate equal to the Make-whole Redemption Rate plus the Make-whole Redemption Margin, plus (ii) any interest accrued up to (but excluding) the Make-whole Redemption Date and any outstanding Deferred Interest Payments, all as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer and the Principal Paying Agent.

Make-whole Redemption Date has the meaning given to it in Condition 4.5.

Make-whole Redemption Margin means 0.40 per cent.

Make-whole Redemption Rate means (a) the mid-market yield to maturity of the Reference Security which appears on the Relevant Make-whole Screen Page at 11:00 a.m. (Central European Time) on the Calculation Date or (b) to the extent that the mid-market yield to maturity does not appear on the Relevant Make-whole Screen Page at such time, the arithmetic average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security at or around 11:00 a.m. (Central European Time) on the Calculation Date.

Maturity Date has the meaning specified in Condition 4.1.

Moody's means Moody's France SAS (or any of its subsidiaries or any successor in business thereto from time to time).

NC8 Notes has the meaning specified in the preamble to these Conditions.

Original Reference Rate has the meaning specified in Condition 3.8.

Parity Security means: (i) any security issued by the Issuer which ranks, or is expressed to rank, *pari passu* with the NC8 Notes; and (ii) any security guaranteed by, or subject to the benefit of a keep well agreement or support undertaking entered into by, the Issuer where the Issuer's obligations under the relevant guarantee, keep well agreement or support undertaking rank *pari passu* with the Issuer's obligations under the NC8 Notes.

Paying Agency Agreement has the meaning specified in the preamble to these Conditions.

Paying Agent has the meaning specified in the preamble to these Conditions.

Payment Reference Date has the meaning given to it in Condition 3.5.

Portuguese Paying Agent means Deutsche Bank Aktiengesellschaft – Sucursal em Portugal with its specified office at Rua Castilho, 20, 1250-069 Lisbon, Portugal.

Principal Amount has the meaning specified in Condition 1.1.

Principal Paying Agent means Deutsche Bank AG, London Branch with its specified office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

Quotation Agent means the agent to be appointed by the Issuer if required for the determination of the Make-whole Redemption Amount.

Rated Securities has the meaning specified in Condition 3.7.

Rate of Interest has the meaning specified in Condition 3.2.

Rating Agency means: (a) for the purposes of Condition 3.7, Moody's, Standard & Poor's or Fitch or any other rating agency of equivalent international standing specified from time to time by the Issuer; and (b) for the purposes of Condition 4.4, any of Moody's, Standard & Poor's or Fitch.

Rating Agency Event has the meaning specified in Condition 4.4.

Rating Downgrade has the meaning specified in Condition 3.7.

Redemption Date means the day on which the NC8 Notes become due for redemption in accordance with these Conditions.

Reference Banks means five leading swap dealers in the Eurozone interbank market selected by the Agent Bank after consultation with the Issuer.

Reference Dealers means each of the four banks (that may include one or more of the Joint Lead Managers) selected by the Quotation Agent which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

Reference Security means DBR 0 per cent. due 15 August 2029 (ISIN: DE0001102473). If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (Central European Time) on the Calculation Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 9, and such Similar Security shall replace the previous Reference Security for the purposes of determination of the Make-whole Redemption Amount.

Relevant Date has the meaning specified in Condition 6.1.

Relevant Jurisdiction has the meaning specified in Condition 6.1.

Relevant Make-whole Screen Page means the relevant Bloomberg screen page (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Security.

Relevant Nominating Body has the meaning specified in Condition 3.8.

Relevant Person has the meaning specified in Condition 3.7.

Reset Date means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date.

Reset Determination Date means, in relation to any Reset Period, the second Business Day prior to the Reset Date on which such Reset Period commences.

Reset Margin means 2.08 per cent. per annum.

Reset Period means the period from and including the First Reset Date to but excluding the next Reset Date and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

Reset Rate of Interest means, in relation to any Reset Period, the sum of the Euro Swap Rate in relation to that Reset Period (rounded to four decimal places, with 0.00005 being rounded down) and the Reset Margin, as determined by the Calculation Agent on the relevant Reset Determination Date.

Reset Reference Bank Rate means the percentage determined by the Agent Bank on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 12:00 noon (Central European Time) on the relevant Reset Determination Date. For this purpose, the **mid-market annual swap rate** means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a five-year term commencing on the first day of the relevant Reset Period and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to 6-month Eurozone interbank offered rate (EURIBOR) (expressed as a percentage rate per annum). The Agent Bank will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall be equal to the last Euro Swap Rate available on the Reset Screen Page as determined by the Calculation Agent.

Reset Screen Page means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Calculation Agent, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity.

Rules means the legislation, rules, regulations and operating procedures from time to time applicable to or stipulated by Interbolsa in relation to the CVM.

Second Step-Up Date has the meaning specified in Condition 3.2.

Senior Obligations means all obligations of the Issuer (including any obligation assumed by the Issuer under any guarantee of, or any keep well agreement) other than the obligations of the Issuer in respect of any Parity Security or the Issuer Shares.

Similar Security means a reference security or reference securities issued by the same issuer as the Reference Security having actual or interpolated maturity comparable with the remaining term of the NC8 Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the NC8 Notes.

Standard & Poor's means S&P Global Ratings Europe Limited (or any of its subsidiaries or any successor in business thereto from time to time).

Subsidiary means an entity from time to time of which the Issuer (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership.

Substantial Repurchase Event has the meaning specified in Condition 4.6.

Successor Rate has the meaning specified in Condition 3.8.

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

Tax Event has the meaning specified in Condition 4.4.

REPLACEMENT INTENTION

In relation to each Series, the Issuer intends (without thereby assuming a legal obligation), during the period from and including the Issue Date to but excluding the Second Step-Up Date for the relevant Series, that in the event of a redemption of the relevant Series at the Issuer's option pursuant to the relevant Condition 4.2 or a repurchase of Notes of the relevant Series, if the relevant Series is assigned an "equity credit" (or such similar nomenclature then used by Standard & Poor's) by Standard & Poor's at the time of such redemption or repurchase, it will redeem or repurchase Notes of the relevant Series only to the extent the Aggregate Equity Credit of the Notes of such Series to be redeemed or repurchased does not exceed the Aggregate Equity Credit received by the Issuer or any Subsidiary from the sale or issuance by the Issuer or the relevant Subsidiary to third party purchasers (other than group entities of the Issuer) of replacement securities (but taking into account any changes in the assessment criteria under Standard & Poor's hybrid capital methodology or the interpretation thereof since the issuance of the relevant Series) (the **Restrictions**). Unless otherwise defined, capitalised terms used in this section of this Prospectus have the meaning given to them in "*Terms and Conditions of the NC5.5 Notes*" or "*Terms and Conditions of the NC8 Notes*", as the case may be.

For the purpose of the Restrictions, **Aggregate Equity Credit** means:

(x) in relation to the relevant Series, the part of the aggregate Principal Amount of the relevant Series that was assigned "equity credit" by Standard & Poor's at the time of their issuance; and

(y) in relation to replacement securities, the part of the net proceeds received from issuance of such replacement securities that was assigned "equity credit" by Standard & Poor's at the time of their sale or issuance (or the "equity credit" Standard & Poor's has confirmed will be assigned by it upon expiry or waiver of issuer call rights which prevent the assignment of "equity credit" by Standard & Poor's on the issue date of such replacement securities).

The intention described above does not apply:

i. if, on the date of such redemption or repurchase, the rating assigned by Standard & Poor's to the Issuer is the same as or higher than the long-term corporate credit rating assigned to the Issuer on the date when the Issuer's most recent additional hybrid security was issued (excluding refinancings) and the Issuer is of the view that such rating would not fall below such level as a result of such redemption or repurchase; or

ii. if, on the date of such redemption or repurchase, the Issuer no longer has a corporate issuer credit rating by Standard & Poor's; or

iii. in the case of a repurchase of Notes of the relevant Series if such repurchase, taken together with other repurchases of hybrid securities of the Issuer, is of less than (x) 10 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 10 consecutive years, provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or

iv. if, on the date of such redemption or repurchase, the statements made in the Restrictions set forth above are no longer required for the relevant Series to be assigned an "equity credit" by Standard & Poor's that is equal to or greater than the "equity credit" assigned by Standard & Poor's to the relevant Series on the Issue Date; or

v. if such replacement would cause the Issuer's outstanding hybrid capital which is assigned "equity credit" by Standard & Poor's to exceed the maximum aggregate principal amount of hybrid capital which Standard & Poor's, under its then prevailing methodology, would assign "equity credit" to based on the Issuer's adjusted total capitalisation.

USE OF PROCEEDS

An amount equal to the net proceeds of the Notes (being €1,237,102,500) will be used by the Issuer to finance or refinance, in whole or in part, the Issuer's Eligible Green Project portfolio. The Issuer's Eligible Green Project portfolio includes existing or planned investments of EDP Renováveis, a fully consolidated subsidiary of the Issuer, which support the transition to a low carbon economy, especially those that help increase the production of renewable energy. Eligible Green Projects include the design, construction, installation and maintenance of renewable energy production projects, such as wind power plants (onshore and offshore) and solar power plants (photovoltaic (**PV**) or concentrated solar power (**CSP**)) and will be assessed and monitored according to a framework and set of criteria available on the Issuer's website (https://www.edp.com/en/investors/fixed-income/green-funding). For the avoidance of doubt, such framework and set of criteria on the Issuer's website is not incorporated into, and does not form part of, this Prospectus.

EDP AND THE EDP GROUP

BUSINESS OVERVIEW

EDP – Energias de Portugal, S.A. (**EDP** and together with its subsidiaries, the **Group** or the **EDP Group**) is a listed company (*sociedade aberta*), whose ordinary shares are publicly traded on the regulated market of Euronext Lisbon. EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Av. 24 de Julho, 12, 1249 - 300 Lisbon, Portugal, and its telephone number is +351210012500.

EDP was initially incorporated as a public enterprise (*empresa pública*) in 1976 pursuant to Decree-Law no. 502/76, of 30 June 1976, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (*sociedade anónima*) pursuant to Decree-Law no. 7/91, of 8 January 1991, and Decree-Law no. 78-A/97, of 7 April 1997.

Under Article 3.1 of its articles of association, the corporate purpose of EDP is the direct or indirect promotion, development and management of undertakings and activities in the energy sector, both at national and international levels, with the goal of growing and improving the performance of its group's companies.

The privatisation of EDP's share capital involved eight phases in total, the first one in 1997 and the last one concluded in February 2013. The most significant shareholdings in EDP's share capital (i.e. shareholdings equal to or higher than 2 per cent.) as of 30 June 2021 were: China Three Gorges Corporation, owning 19.03 per cent.; Oppidum Capital S.L., owning 7.20 per cent.; BlackRock, Inc., owning 7.12 per cent.; Norges Bank, owning 3.13 per cent.; Qatar Investment Authority, owning 2.27 per cent.; Sonatrach SpA, owning 2.19 per cent.; Canada Pension Plan Investment Board, owning 2.17 per cent; and Bank of America Corporation, owning 2.02 per cent. As of 30 June 2021, EDP has an issued share capital of €3,965,681,012, comprised of 3,965,681,012 shares with a nominal value of €1 per share, all of which have been paid up.

EDP is a multinational, vertically integrated utility company with operations in 22 countries across Europe, the Americas, Africa and Asia and with a focus on renewable energy generation. The Group has integrated operations across energy generation, distribution and supply operations mainly in Iberia and Brazil. Moreover, the Group develops and operates renewable energy generation in 17 different countries across Europe, North and Latin America and more recently in the Asia-Pacific region with the expansion into Vietnam. With a total installed capacity in Iberia of 13 gigawatt (**GW**) and a distribution network spanning 282 thousand kilometres as of 30 June 2021, EDP believes that it is the largest generator, distributor and supplier of electricity in Portugal in terms of gigawatt hours (**GWh**) and the third largest electricity generator in the Iberian Peninsula in terms of installed capacity. EDP also believes that it is one of Brazil's largest private generators, distributors and suppliers of electricity in terms of GWh and one of the largest onshore wind power operators worldwide in terms of GWh, with operations spanning across Europe, North America and Latin America. EDP also generates solar PV energy in Portugal, Vietnam, Romania and the United States. Overall, globally EDP has a total installed capacity of 24 GW and distribution networks of 376 thousand kilometres as of 30 June 2021.

Historically, EDP's core business had been focused on electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market became EDP's natural home market, and EDP made this market the primary focus of its integrated electricity business. As at the date of this Prospectus, EDP's main subsidiaries in Portugal include its electricity generation company, EDP - Produção - Gestão da Produção de Energia, S.A. (**EDP Produção**), its electricity distribution company, E-REDES Distribuição de Electricidade, S.A. (**E-Redes**), and its two supply companies SU Electricidade, S.A. (**SU Eletricidade**) and EDP Comercial – Comercialização de Energia, S.A. (**EDP Comercial**). As of 30 June 2021, in Spain, EDP's main subsidiary is EDP España, S.A.U., which operates electricity generation plants and electricity distribution networks. The electricity distribution networks business in Spain is controlled through a long-term partnership with Macquarie Super Core Infrastructure Fund SD Holdings S.À.R.L. (**MSCIF**), in which it holds a 75.1 per cent. stake that combines three electricity distribution companies: Hidrocantábrico Distribución Eléctrica S.A.U., Viesgo Distribución Eléctrica, S.L. (**Viesgo Distribución**) and Barras Eléctricas Galaico-Asturianas, S.A.

In addition to the electricity market, EDP is also present in the natural gas supply business in both Portugal and Spain. In Portugal, EDP supplies natural gas through EDP Comercial and EDP Gás Serviço Universal, S.A. (**EDP Gás SU**). In Spain, EDP holds indirectly (through EDP España) EDP-Comercializadora, S.A.U. (**EDP Comercializadora**). In July and October 2017, EDP sold 100 per cent. of its gas distribution networks in Spain and Portugal, respectively, in line with EDP's strategy of strengthening its financial profile and focusing on electricity networks.

EDP participates in the renewable energy sector through EDP Renováveis, a leading renewable energy company headquartered in Spain. EDP Renováveis designs, develops, manages and operates power plants that generate electricity using the renewable energy sources of wind and solar energy. EDP currently holds a 74.98 per cent. stake in EDP Renováveis, with the remaining 25.02 per cent. traded on Euronext Lisbon.

In Brazil, EDP has significant electricity generation, distribution, supply and transmission businesses in 12 states through its 52.64 per cent. direct stake in EDP – Brasil, S.A. (**EDP Brasil**), a company listed on the São Paulo Stock Exchange. EDP also believes that it is one of Brazil's largest private generators, distributors and suppliers of electricity in terms of GWh.

EDP's Operating Segments

EDP organises its business along three operating segments.

1. **Renewables**: The Renewables operating segment is central to the Group's growth strategy. EDP participates in the renewable energy space through EDP Renováveis, a leading renewable energy company headquartered in Spain and listed in Portugal that develops, builds, manages and operates power plants that generate electricity using renewable energy sources (including onshore and offshore wind, and solar energy) and through its hydroelectric generation assets in Iberia and Brazil. EDP Renováveis has built significant growth platforms in the European, Latin American and North American markets and is continuously monitoring opportunities to expand its activities globally, having more recently expanded to the Asia-Pacific region, by entering Vietnam.

2. **Networks**: EDP's Networks operating segment comprises activities related to electricity distribution in the Iberian Peninsula and Brazil, as well as the Group's electricity transmission operations in Brazil. EDP's regulated networks regulated asset base was €6.0 billion as of 30 June 2021. EDP believes that the importance of electricity networks in the context of the energy transition landscape will continue to increase given the gradual shift to a more customer-centric paradigm which will require the deployment of a smarter grid and the offer of a more personalised portfolio of services. Such services are likely to include smart control systems, decentralised generation, energy-storage and electric cars, which represents an opportunity for further growth.

3. **Client Solutions and Energy Management**: The Client Solutions and Energy Management segment comprises activities mainly related to thermal generation, energy trading and electricity supply in the Iberian Peninsula and Brazil. This segment includes energy management activities that allow EDP to manage its portfolio of generation assets in the liberalised market and its clients in Iberia, enabling the Group to hedge market and hydro risk according to its risk policies. Client solutions manages an approximately nine million client portfolio, with the aim of further increasing quality through digital transformation, while innovating its offer of products and services, in particular through distributed solar and e-mobility services.

The Group's revenues from energy sales and services and other for June 2021 and 2020 amounted to €6,083 million and €6,183 million, respectively. The Group's revenues from energy sales and services and other for the years ended 31 December 2020 and 2019 amounted to €12,448 million and €14,333 million, respectively. As of 30 June 2021, the EDP Group employed 12,147 people and had total assets of €44,129 million and total equity of €14,347 million.

Recent Developments

Sale of Portuguese Tariff Deficit

On 20 July 2021, SU Eletricidade, the last resort supplier of the Portuguese electricity system, 100 per cent. owned by EDP, agreed, through five individual transactions, the non-recourse sale of 28.8 per cent. of the 2021 tariff deficit, related with special regime generation, for a total amount of €503 million.

This tariff deficit results from the 5-year deferral of the recovery of the 2021 overcost with the acquisition of energy from special regime generation (including adjustments for 2019 and 2020).

Agreement to acquire a wind and solar portfolio in the United Kingdom

On 21 July 2021, EDPR reached agreements to acquire a 544 megawatt (**MW**) wind and solar portfolio in the UK. The portfolio consists of (i) 5 MW operating wind farm commissioned in 2012 with a 20-year feed in tariff; (ii) 192 MW of wind projects under an advanced stage of development; and (iii) 347 MW of projects under development, including 229 MW of wind and 118 MW of solar. The transaction has been reached through two separate agreements with Vento Ludens and Wind2 for a total consideration of up to GBP 71 million. This agreement allows EDPR to establish its presence in the UK onshore market with a sizeable and technologically diversified portfolio at different stages of development and provides an experienced development team which will be focusing on additional opportunities in the country.

Asset Rotation deal for wind portfolio in Portugal

On 21 July 2021, EDPR signed a sale and purchase agreement to sell a 100 per cent. equity shareholding position in a wind portfolio with 221 MW of installed capacity located in Portugal, to Onex Renewables S.a.r.l, for a total

consideration corresponding to €530 million. This deal is part of EDP's asset rotation programme for the 2021-2025 period.

25-year PPA for a 200 MWac Solar Project in the US

On 27 July 2021, EDPR secured a 25-year PPA to sell the green energy produced by a 200 MWac solar project in the United States. The solar project is located in Arizona and is expected to enter in operation in 2023.

Asset Rotation deal for wind portfolio in Poland

On 4 August 2021, EDPR signed a sale and purchase agreement with Mirova, an affiliate of Natixis Investment Managers, to sell a 100 cent. equity stake in a 149 MW wind portfolio located in Poland for approximately €303 million (subject to customary closing adjustments). The transaction scope comprises six wind farms, out of which 20 MW are in operation since 2020 and 129 MW are under construction with expected commercial operation date at the end of 2021.

STRATEGY OF EDP

EDP's vision is to lead the energy transition and create superior value to shareholders. To achieve this ambitious vision, in February 2021, EDP announced a new strategic update for the period of 2021-2025. The plan is underpinned by three strategic axes: (i) accelerated and sustainable growth; (ii) future-proof organisation; and (iii) ESG excellence and attractive returns. This strategy is further supported by EDP's commitment to decarbonisation and sustainability pursuant to its 2030 vision of having 100 per cent. electricity generated from renewable sources.

1. Accelerated and sustainable growth

EDP announced at the strategic update a €24 billion investment plan for the period of 2021-2025, reinforcing its position as a leader of the energy transition. EDP intends to significantly increase its annual investments, targeting approximately €4.8 billion per year in capital expenditure (including financial investments) for the period 2021-2025, a 65 per cent. increase from the yearly average target of €2.9 billion per year in capital expenditure for the period 2019-2022. In 2020, EDP's capital expenditure amounted to €3.2 billion. The fast deployment of renewables capacity will be combined with the intended sale of majority stakes in selected renewable assets in line with EDP's asset rotation strategy (targeted at €8 billion for the period 2021-2025), to accelerate growth and enable a less capital intensive growth model.

In line with EDP's objective to reinforce its distinctive "green" positioning and low risk profile, nearly 95 per cent. of capital expenditure is expected to be allocated to regulated and long-term activities with a focus on renewables (approximately 80 per cent. of total investment) and networks (approximately 15 per cent. of total investment). In geographical terms, approximately 40 per cent. of total investment is expected to be deployed in North America, 40 per cent. in Europe, 15 per cent. in Brazil and Latin America and the remaining 5 per cent. to the rest of the world.

EDP was an early mover in renewable energy and has built a strong track record. Based on its assessment of wind generation figures published by top wind market operators, EDP stands as one of the largest wind power operators worldwide with 12.6 GW of wind and solar power capacity installed as of 30 June 2021 (0.8 GW of which constitutes equity consolidated capacity). This position is the result of strong execution and excellence in operations, including in relation to asset availability, cost and load factors, among other areas.

As of 30 June 2021, EDP had a renewable energy installed capacity of 18.9 GW consisting of 7.1 GW of hydro power (in Iberia and Brazil) and 11.7 GW of wind and solar power (mostly in Europe and the United States). As of 30 June 2021, 81 per cent. of EDP's generated electricity came from renewable sources of energy compared to 20 per cent. in 2005. EDP expects to deploy 20 GW of gross additions in renewable capacity for the period 2021-2025, with a focus on wind onshore (9.1 GW) and solar PV (8.0 GW), but also wind offshore (0.9 GW), storage (0.4 GW) and distributed solar (1.4 GW). As of 30 June 2021, approximately 33 per cent. of the expected capacity additions, targeted until 2025, were already secured with PPAs, feed-in tariffs or similar long-term arrangements.

EDP's strategy for its wind offshore portfolio is to develop projects in partnerships with other operators in the market, seeking to diversify its risk exposure to this technology. In January 2020, EDP entered into a fifty-fifty joint venture with Engie, named "Ocean Winds", which was subsequently approved by the EC on 26 February 2020, for the development of fixed and floating offshore wind assets. The new entity, which combines the offshore assets of EDP and Engie already has two projects in operation with a total capacity of 0.5 GW, 3.2 GW of secured capacity and a total capacity of 6.4 GW under construction and in an advanced stage of development. This entity is the exclusive investment vehicle of EDP, through its subsidiary EDP Renováveis, and Engie for offshore wind opportunities worldwide. EDP expects the joint venture will become a major global player in the field, bringing together the industrial expertise and development capacity of both companies.

Another component of EDP's growth strategy is centred around networks. Networks are seen by EDP as key enablers of the energy transition in addition to providing stable and long-term cash flow. EDP is continuously seeking efficiency improvements in networks' operations, while delivering high quality service. As part of these efforts, grids are being modernised and digitalised in order to respond to the challenges of the energy transition, that require smarter grids to accommodate an increasing weight of intermittent renewable generation and to manage demand in real time.

The acquisition of Viesgo, concluded in December 2020, is an important driver of growth in this segment as it more than doubles EDP's presence in electricity distribution in Spain, contributing with almost 700 thousand customers in the north of Spain and a network length of c. 32 thousand km, perpetual licenses and regulatory visibility until 2025, strengthening EDP's business risk profile by increasing EDP's exposure to regulated networks.

Another important driver of investment in networks in the short term is the growth in the transmission segment in Brazil. Between 2016 and 2017, EDP was awarded five transmission lines in Brazil, totalling nearly 1,300 km. Transmission line "24", in Espírito Santo state started operations in December 2018 (20 months ahead of the regulatory schedule), transmission line "11" started full operation in August 2020 (12 months ahead of schedule) and transmission line "7" entered into partial operation in March 2021 (17 months ahead of schedule). In May 2019, EDP announced the acquisition of a further transmission line in Brazil (142 km), "lot Q", expected to commence operations by 2022, and

more recently in May 2021 concluded another acquisition of a transmission line in Mata Grande (113 km). Furthermore, on 30 June 2021, EDP Brasil was also awarded an additional lot, located in the states of Acre and Rondônia with 350 km and one substation. As of June 2021, EDP had invested Brazilian Real (**R$** or **BRL**) 3.9 billion on the eight transmission lines, representing 80 per cent. of the total estimated investment.

In the client solutions and energy management segment, EDP is focused on active portfolio management, allowing for a natural hedge of generation with customers and also between renewables and thermal assets. Additionally, EDP seeks to enhance value for its approximately nine million clients (as of 30 June 2021) by improving quality of service and providing new innovative solutions that meet clients' needs and accelerate the energy transition, such as decentralised solar and e-mobility solutions.

A key element of EDP's strategy is to deliver on these growth targets while maintaining a strong financial profile, fully committed to a solid investment grade rating (BBB). EDP's financial policy aims to reinforce the visibility of free cash flow generation over the medium term, supported by strict financial criteria underlying investment decisions, timely execution of projects and a risk-controlled growth strategy.

EDP seeks to maintain diversification in terms of markets and regulatory environments while also seeking to reduce its exposure to market volatility.

EDP has a high proportion of activities in its portfolio that are either long-term contracted or regulated. As such, its revenues are dependent on the outcome of regulatory decisions by governments and other authorities. To reduce its exposure to regulatory risk, EDP is in regular contact with regulatory authorities in order to ensure an accurate and appropriate regulatory treatment, including regarding the level of returns EDP receives on capital employed in connection with its network activities, which are fully regulated.

Some of EDP's operations are exposed to liberalised energy markets, which are subject to fluctuations in energy demand, supply and prices both in EDP's core markets and in other related international markets. In order to reduce its exposure to these sources of volatility, EDP operates an integrated generation and supply model and maintains a hedging strategy that seeks to enable it to secure pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalised markets for a period between 12 and 18 months.

2. Future-proof organisation

To deliver on the targets presented at the strategic update for the period of 2021-2025, EDP is focused on preparing for accelerated and sustained growth, by focusing on becoming a more global, agile and efficient organisation, and by improving decision making process and simplifying organisational structure.

EDP is implementing an innovation and digital transformation plan focused on improving the efficiency of the organisation and introducing new technologies in the various stages of the value chain with a commitment of €2 billion until 2025.

EDP wants to establish a leading innovation position internationally, namely through venture capital investments and entrepreneurship, creating an open innovation ecosystem, and delivering new solutions across four main areas: clean energy, storage and flexibility, smarter grids and client solutions.

EDP is implementing its operational expenditures efficiency programme which aims to achieve cumulative savings of €100 million until 2025 and includes, among others measures, the digitalisation of processes, zero-based budgeting (a method of budgeting in which all expenses must be justified for each new period) and synergies from the Viesgo acquisition in Spain.

3. ESG Excellence and attractive returns

EDP is committed to delivering attractive returns through a sustainable dividend policy based on a target payout ratio of 75 to 85 per cent. of recurring net profit, with a dividend floor at €0.19 per share, allowing for potential future increases in the dividend per share in line with sustainable earnings per share growth.

Furthermore, EDP is focused on delivering values to shareholders through a sustainable business model for the long-term. Accordingly, EDP has committed to various sustainability targets by 2030 and beyond, focused on a clear green positioning and facilitating the energy transition.

EDP committed and has reported in accordance with UN Global Compact Principles since 2003. Since 2015, EDP endorses nine of the 17 Sustainable Development Goals (**SDGs**) and in 2018, EDP also committed to follow the recommendations of the Taskforce on Carbon-related Financial Disclosures until 2022. Moreover, in 2019, EDP signed up to the Business Ambition for 1.5°C initiative, promoted by the United Nations.

In this context, EDP has committed to establishing a CO_2 emission reduction target, consistent with what climate science defines as necessary to limit global warming to the most demanding level of the Paris Agreement. As part of the decarbonisation of EDP's portfolio, in 2020, EDP joined the Powering Past Coal Alliance, the first global alliance to accelerate the end of coal power generation. EDP is also part of the Race to Zero, a global coalition set up by

UN Global Compact for achieving neutrality carbonic by 2050 and the Science Based Targets initiative, and We Mean Business, to support a zero-carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.

EDP aims to become coal-free by 2025 and have 100 per cent. renewable generation by 2030, anticipating carbon neutral targets to 2030. EDP targets to reduce specific CO_2 emissions by 98 per cent. by 2030 (compared to the levels of 2015) and decrease indirect CO_2 emissions by 50 per cent. by 2030. These carbon neutrality targets have been validated by the Science Based Target initiative (**SBTi**), an organisation that evaluates and approves companies' initiatives for a low-carbon economy and for fighting climate change. In this assessment, SBTi also recognises that EDP's decarbonisation strategy is in line with the trajectory defined by science, which aims to contain the increase in the global average temperature to 1.5°C.

EDP is also focused on having a positive impact on society addressing adverse impacts associated with its activities, products and services and along its value chain.

Sustainability within EDP

Since the Board of Director's approval of the "Principles of Sustainable Development" in 2004, EDP has been committed to balancing the economic, environmental and social aspects of the EDP Group's activities. In the 2021-2025 strategic update, EDP announced "ESG excellence and attractive returns" as one of three pillars of its decision-making processes.

The foundations of EDP's ESG policies are based on international norms and principles. These include: (i) the ten principles of UN Global Compact; (ii) the SDGs; (iii) the Water Framework Directive; (iv) EU Directives on Environmental Impact Assessment; (v) the UN Guiding Principles on Business and Human Rights; (vi) the Universal Declaration of Human Rights; and (vii) the OECD Guidelines for Multinational Enterprises. EDP also reports periodic non-financial information in accordance with the highest international standards, such as Global Reporting Initiative and Sustainability Accounting Standards Board.

As such, EDP is committed to environmental responsibility, particularly in the areas most relevant to the Group's strategy: climate change, circular economy and biodiversity. This is demonstrated by the Group's ISO 14001:2015 certified corporate environmental management system, which the Group has held since 2008. EDP has also been recognised as a leader in ESG practices by all of the main ESG rating agencies. Furthermore, as part of the decarbonisation of EDP's portfolio in 2020, EDP joined the Powering Past Coal Alliance, which is the first global alliance to accelerate the end of coal power generation. Since 2018, EDP has issued €5.1 billion in Green Bonds, in line with EDP's sustainability strategy and towards the progress of SDG 7.

EDP has also established four strategic priorities in respect of social responsibility and contributions to the community: (i) to promote access to culture and protect cultural heritage; (ii) to promote social inclusion and the adoption of sustainable ways of life; (iii) valuing energy inclusion, access to energy and the protection of natural heritage and biodiversity; and (iv) to promote remote energy efficiency, renewable energy and decarbonisation.

In addition, EDP has made further ESG commitments, including:

- committing to, and reporting in accordance with, the UN Global Compact Principles since 2003;
- endorsing eight of the 17 SDGs in 2015 (SDG 5, SDG 7, SDG 8, SDG 9, SDG 11, SDG 12, SDG 13 and SDG 15);
- extending its commitment, in 2018, by including the ambition to contribute to achieving SDG 17;
- committing to the implementation of the Taskforce on Carbon-related Financial Disclosures' recommendations from 2018 until 2022;
- committing to establishing a CO_2 emission reduction target in accordance with the most demanding level of the Paris Agreement from 2015; and
- since 2021, integrating the Sustainable Finance Action Platform in its operations and using key performance indicators to measure EDP's progress towards implementing the "CFO Principles on Integrated SDG Investment and Finance".

To achieve these commitments and policies, EDP has implemented a framework for the governance of its sustainability objectives, which involves (i) supervision by the General and Supervisory Board; (ii) decision-making and approval from the Executive Board of Directors; and (iii) operational practices for managing, implementing and monitoring the Group's policies and sustainability strategy. Furthermore, EDP's Code of Ethics, which was recently reviewed in 2020, establishes the ethical principles and commitments that the EDP Group applies in all its activities and has a comprehensive range of good governance and work-place conduct policies.

Environmental, Social and Governance

As part of its strategic update, in February 2021, EDP announced the investment of €24 billion for the 2021-2025 period. 80 per cent. of this investment will be in new renewable generation installed capacity, 15 per cent. in networks and 5 per cent. in client solutions and energy management for leading the energy transition and creating superior value.

EDP has made a number of sustainability commitments as part of its strategy which are aligned with the SDGs and are embedded in the business plan announced in February 2021. These commitments will drive the sustainability strategy and are broken down into 12 objectives under 4 categories:

1. *Leading the energy transition*
    - Clean generation: decarbonise generation thus achieving carbon neutrality, and compensating residual CO_2 emissions;
    - Sustainable consumption: decarbonise consumption and promote low carbon and energy efficient product and services;
    - Innovation and digital transformation: strengthen the focus on four innovation pillars - cleaner energy, smarter grids, storage and flexibility and client solutions, enhanced by a strong digital culture; and
    - Just transition: promote a just transition by mobilising renewable energy investments in coal phase-out regions and support workers and communities in a sustainable and economically inclusive way.
2. *Protecting the environment*
    - Circular economy: accelerate the circularity of EDP's assets and business models, with a particular concern on water management;
    - Natural Capital: assess and integrate natural capital into EDP's decision-making processes, having biodiversity protection as a main driver; and
    - Adaptation and resilience: mitigate climate risks and reinforce EDP's resilience to medium and long-term climate effects.
3. *Engaging with stakeholders to create a positive impact*
    - Diversity and wellbeing: provide a fair and safe workplace at EDP and build upon strong principles of diversity and inclusion;
    - Sustainable business partnership: apply decarbonisation, gender equality and reporting criteria in the selection of materials and services and in the choice of suppliers; and
    - Inclusive communities: contribute to a better society and local communities' development through continuous social investment.
4. *Maintaining a strong governance structure*
    - Ethical behaviour: continue to enhance a strong ethical culture internalised in all principles and internal policies; and
    - ESG governance structure: clearer link of variable compensation to ESG standards and shareholder value, and best practices in remuneration policy.

SBTi has validated EDP's carbon neutrality targets. These targets aim at reducing combined Scope 1 and 2 emissions (as defined in the GHG Protocol Corporate Accounting and Reporting Standard) from electricity generation per TWh by 98 per cent. by 2030 compared to 2015 levels. The SBTi recognises that EDP's decarbonisation strategy is in line with aims to contain the increase in the global average temperature to 1.5°C. EDP has also committed to reduce Scope 3 emissions by 50 per cent. over the same period.

EDP has also incorporated ESG criteria into the variable remuneration of the Executive Board of Directors under the remuneration policy.

EDP'S OPERATING SEGMENTS

1. Renewables

Renewables capacity accounts for approximately 80 per cent. of EDP's total installed capacity and is EDP's current main growth driver. Installed capacity as of December 2020 totalled 19.8 GW, including 1.2 GW equity of wind and solar in the United States and Iberia, and hydro in Brazil. The Group operates renewable energy assets in Europe (Spain, Portugal, France, Belgium, Italy, Poland, the UK, Greece and Romania), North America (United States, Canada and Mexico), and Latin America (Brazil and Colombia). As of 31 December 2020, the average residual life of EDP's renewable portfolio was approximately 25 years. The following table provides an overview of EDP's installed renewables capacity by energy source and country for the years ended 31 December 2019 and 2020 (in MW).

	Year ended 31 December 2020			Year ended 31 December 2019		
Total Installed Capacity	**Wind Onshore & Solar**	**Hydro**	**Total**	**Wind Onshore & Solar**	**Hydro**	**Total**
Installed Capacity*	**11,500**	**7,126**	**18,626**	**10,812**	**8,785**	**19,597**
Europe	**4,769**	**5,527**	**10,296**	**4,401**	**7,186**	**11,587**
Portugal	1,228	5,076	6,305	1,164	6,759	7,924
Spain	2,137	451	2,589	1,974	426	2,401
France	126	-	126	53	-	53
Belgium	10	-	10	-	-	-
Poland	476	-	476	418	-	418
Romania	521	-	521	521	-	521
Italy	271	-	271	271	-	271
North America	**6,296**	**-**	**6,296**	**5,944**	**-**	**5,944**
United States	5,828	-	5,828	5,714	-	5,714
Canada	68	-	68	30	-	30
México	400	-	400	200	-	200
Brazil	**436**	**1,599**	**2,035**	**467**	**1,599**	**2,066**
Equity Installed Capacity*	**668**	**551**	**1,219**	**550**	**551**	**1,101**
Europe	**197**	**-**	**197**	**152**	**-**	**152**
Portugal	30	-	30	-	-	-
Spain	167	-	167	152	-	152
United Kingdom	-	-	-	-	-	-
North America	**471**	**-**	**471**	**398**	**-**	**398**
United States	471	-	471	398	-	398
Brazil	**-**	**551**	**551**	**-**	**551**	**551**

* Installed Capacity refers to 100 per cent. of the installed capacity of all of EDP's consolidated assets. Equity Installed Capacity refers to the installed capacity of EDP's equity method stakes multiplied by EDP's percentage of ownership.

Wind onshore, offshore and solar energy represented 12,168 MW of capacity or 61 per cent. of EDP's total renewable installed capacity as of 31 December 2020, with a majority of these assets located in North America (56 per cent.) and Europe (41 per cent.). Hydroelectric power is generated in plants predominantly located in Iberia (72 per cent.) and Brazil (28 per cent.).

In the last 12 months, EDP added 1.6 GW of wind and solar capacity to its portfolio, including (i) in wind onshore, Harvest Ridge in the United States (200 MW), Aventura II-V in Brazil (105 MW), and the wind onshore assets in Spain and Portugal from the Viesgo acquisition which closed in December 2020 (511 MW), (ii) in solar, the Los Cuervos plant in Mexico (200 MW) and (iii) in offshore, the Windfloat project in Portugal (10 MW equity). Also, as part of EDP's asset rotation strategy, during 2020 it completed the sale of (i) 137 MW in Brazil (Babilónia) in February 2020, (ii) 237 MW in Spain in December 2020, (iii) 80 per cent. shareholding position in a portfolio of 563 MW in the United States in December 2020, of which 200 MW will start operations in 2021 and the remaining position is now accounted for under the equity method (73 MW), and (iv) 102 MW in the United States (Rosewater), following the conclusion of the construction and the transfer of the wind farm under the build and transfer agreement signed in February 2019.

EDP believes that it holds an attractive and diversified portfolio of renewable assets from a technological and geographic point of view. EDP's renewable energy portfolio typically has long-term contracts (either in the form of "PPAs", contracted tariffs or "feed-in tariffs"), which guarantee a sales price for each megawatt hours (**MWh**) of electricity generated, thus limiting price risk of the portfolio significantly. Hydro capacity in Iberia, on the other hand, operates in the liberalised market, thus bearing both price and volume risk, although it benefits from high flexibility. In Brazil, a supportive regulatory structure with mostly contracted prices helps EDP's hydro assets to reduce the impact of potentially volatile weather conditions on its financial results, diversifying exposure to different regulatory frameworks as well as allowing for geographical diversification.

EDP's hydro portfolio comprises 5,527 MW in Iberia (approximately 45 per cent. of which is pumping capacity) and 1,599 MW in Brazil. In Latin America, EDP additionally owns equity stakes in three hydro plants totalling 551 MW

(Jari, Cachoeira-Caldeirão and S. Manoel, all in Brazil) and owns a minority stake in a hydro plant under construction in Peru (San Gaban, 78 MW net).

EDP, through EDP Renováveis, has wind and solar projects in 14 countries: Portugal, Spain, United States, Brazil, Canada, Mexico, Belgium, France, Italy, Poland, Romania, the UK, Greece and Colombia. Overall, EDP Renováveis' capacity is long-term contracted with PPAs, feed-in tariffs or other types of incentive mechanisms to renewables. The most significant jurisdictions in terms of wind and solar capacity are:

- the United States, where typically PPAs are signed in tandem with tax incentives (production tax credits, for instance);
- Portugal, where feed-in tariffs are contracted;
- Spain, where volumes are sold in the liberalised market, but a premium is paid so as to compensate the shortfall up to a contracted return; and
- Brazil, where feed-in tariffs and, more recently PPAs are the standard.

Other than EDP Renováveis' assets, the renewables segment also entails EDP's hydro capacity:

- In Iberia, mostly Portugal, EDP's hydro generation assets operate within the liberalised market and thus bear merchant risk, although EDP's hedging policy typically enables the reduction of short-time price risk through derivatives contracting or through the vertical integration in EDP's portfolio of clients; and
- In Brazil, most of EDP's generation assets are contracted with long-term PPAs, mitigating price risk, although volume risk still exists nonetheless.

EDP actively manages and continuously optimises the composition of its renewable energy portfolio by selling assets or holdings in accordance with its asset rotation policy, which allows it to monetise operating assets and redeploy capital to accelerate growth. The following table provides an overview of EDP's Renewables capacity additions, reductions and under construction for the year ended 31 December 2020 (in MW).

	Additions in 2020	Reductions in 2020	Capacity under construction in 2020			
	Wind Onshore & Solar	Wind Onshore & Solar	Wind Onshore & Solar	Wind Offshore	Hydro	Total
Installed Capacity*	**1,535**	**847**	**2,051**	**-**	**-**	**2,051**
Europe	**605**	**237**	**722**	**-**	**-**	**722**
Portugal	**64**	-	135	-	-	135
Spain	401	237	85	-	-	85
France	73	-	30	-	-	30
Belgium	10	-	-	-	-	-
Poland	58	-	292	-	-	292
Romania	-	-	-	-	-	-
Italy	-	-	136	-	-	136
Greece	-	-	45	-	-	45
North America	**825**	**473**	**970**	**-**	**-**	**970**
United States	587	473	908	-	-	908
Canada	38	-	62	-	-	62
México	200	-	-	-	-	-
Brazil	105	**137**	**359**	**-**	**-**	**359**
Equity Installed Capacity**	**45**	**73**	**-**	**311**	**78**	**389**
Europe	**45**	**-**	**-**	**311**	**-**	**311**
Portugal	30	-	-	-	-	-
Spain	15	-	-	-	-	-
Belgium	-	-	-	43	-	43
United Kingdom	-	-	-	269	-	269
North America	**-**	**73**	**-**	**-**	**-**	**-**
United States	-	73	-	-	-	-
Brazil	**-**	**-**	**-**	**-**	**-**	**-**
Peru	**-**	**-**	**-**	**-**	**78**	**78**

* Installed Capacity refers to 100 per cent. of the installed capacity of all of EDP's consolidated assets.

** Equity Installed Capacity refers to the installed capacity of EDP's equity method stakes multiplied by EDP's percentage of ownership.

As of December 2020, EDP's wind and solar capacity under construction totalled 2.4 GW, including 2.1 GW wind onshore and solar capacity and 0.3 GW wind offshore capacity in the UK and Belgium. In North America, EDP has 1.0 GW of wind onshore and solar under construction, including Riverstart (200 MW) and Indiana Crossroads (302 MW).

In Europe, EDP is building 0.7 GW of wind onshore, mainly in Poland, Portugal and Italy. In Brazil, EDP is building wind onshore and solar projects, totalling 359 MW.

In January 2020, EDP entered into a 50/50 joint venture with Engie, which was subsequently approved by the EC on 26 February 2020, for the development of fixed and floating offshore wind assets. The new entity, which combines the offshore assets of EDP and Engie has a capacity of 1.5 GW under construction and 3.7 GW under development.

On 12 February 2020, EDP completed the sale of its holding in an onshore wind project in Brazil with 137 MW of installed capacity for €254 million.

On December 2020, EDPR entered into an agreement for the acquisition of the control of the renewable business of Viesgo which represents a portfolio of 511 MW.

In 2020, EDP produced 47,330 GWh of clean electricity representing 74 per cent. of its production in its generation portfolio (8 per cent. above 2019). The following table provides an overview of EDP's renewable production volumes by technology and geographies in 2020 and 2019 (in MW).

	Year ended 31 December 2020			Year ended 31 December 2019		
Total Generation	**Wind Onshore & Solar**	**Hydro**	**Total**	**Wind Onshore & Solar**	**Hydro**	**Total**
Electricity Generation (GWh)	**28,538**	**18,792**	**47,330**	**30,041**	**14,096**	**44,137**
Europe	**10,025**	**13,249**	**23,274**	**11,791**	**9,967**	**21,758**
Portugal	2,624	12,572	15,196	3,160	9,087	12,247
Spain	4,346	677	5,024	5,298	880	6,178
France	212	-	212	465	-	465
Belgium	2	-	2	68	-	68
Poland	1,059	-	1,059	1,098	-	1,098
Romania	1,186	-	1,186	1,151	-	1,151
Italy	595	-	595	551	-	551
North America	**17,421**	**-**	**17,421**	**16,492**	**-**	**16,492**
United States	16,633	-	16,633	15,696	-	15,696
Canada	78	-	78	70	-	70
México	710	-	710	726	-	726
Brazil	**1,093**	**5,543**	**6,636**	**1,757**	**4,129**	**5,886**

Renewables North America

In North America, installed capacity (6.3 GW) is 95 per cent. wind and 5 per cent. PV (290 MW). Additionally, EDP owns equity stakes in other wind and solar projects totalling 471 MW. In line with EDP's long term contracted growth strategy, the 825 MW additions to EDP's portfolio over the last 12 months are PPA contracted. In 2020, approximately 90 per cent. of total installed capacity was PPA/hedged contracted.

Electricity production increased by 6 per cent. in 2020 compared to 2019, mainly reflecting the growth of average installed capacity (8 per cent. in 2020 compared to 2019) and slightly lower average load factors.

Renewables Iberia

In Iberia, installed capacity (8.9 GW) is split between hydro (approximately 60 per cent.) and wind and solar (approximately 40 per cent.). In December 2020, EDP completed the sale of six hydro plants in Portugal and the acquisition of the 511 MW wind portfolio from Viesgo in Spain and Portugal. Wind and solar output in Iberia declined by 18 per cent. in 2020 compared to 2019, to 7.0 terawatt-hour (**TWh**) resulting from a deconsolidation of EDP's wind generation assets in July 2019 (which accounted for a decrease of 0.8 TWh) and lower wind resources that were 6.0 per cent. below the long-term average. As a result, wind and solar gross profit amounted to €575 million (a 13 per cent. decline from 2019).

In 2020, hydro resources posted a sharp improvement, from the 19 per cent. deficit in 2019 to 3 per cent. below the average level in Portugal in 2020. As a result, hydro net production increased 35 per cent. compared to the previous year, but pool prices were downward pressured and so was the average selling price of hydro (a decline of 21 per cent. year-on-year, excluding hedging effect).

Renewables in the rest of Europe

In the rest of Europe (excluding Iberia), EDP's installed capacity is mostly focused in onshore wind (1,353 MW), including also solar capacity in Romania (approximately 50 MW). During the last 12 months, EDP added 140 MW to its portfolio. Following EDP's onshore wind generation asset rotations in July 2019, electricity generation output declined in

2020 by 8 per cent., compared to 2019, to 3,054 GWh. This deconsolidation of assets overcame the positive effect of higher wind resources. Load factors improved in France and Romania in 2020 compared to 2019.

Renewables Brazil

EDP's renewable portfolio in Brazil encompasses 2.0 GW of consolidated installed capacity, 79 per cent. of which is hydro majority PPA-contracted and 21 per cent. is wind onshore (PPA contracted). Additionally, EDP owns equity stakes in hydro plants, representing an attributable capacity of 551 MW.

The deconsolidation of Babilonia wind farm in February 2020 impacted year-on-year wind operating performance due to its weight in EDP's capacity portfolio (137 MW), higher average load factor and lower PPA price. Excluding this change in consolidation perimeter, wind output was broadly stable at 1,093 GWh. Wind resources were 6 per cent. short of average, justifying a load factor of 38 per cent. (compared to 43 per cent. in 2019).

2. Networks

EDP's Networks operating segment comprises activities related to electricity distribution in the Iberian Peninsula and Brazil, as well as the Group's electricity transmission operations in Brazil.

Electricity distribution is an activity regulated under licenses or concessions. Since these activities are highly regulated, they provide long-term stable and predictable cash flow streams as well as significant growth prospects in the context of the energy transition.

EDP's electricity distribution grid extends over 375,777 km as of 31 December 2020. During 2020, EDP distributed 76,272 GWh of electricity to over 11,274 supply points. EDP's distribution grid does not include gas distribution, which EDP discontinued in 2017 following the disposal of all of its gas distribution assets in Spain and Portugal.

The following table provides an overview of key operational indicators of EDP's Networks business as of 31 December 2019 and 2020:

	31 December 2020			31 December 2019		
	Network length (km)	Distributed Volume (GWh)	Supply points ('000)	Network length (km)	Distributed Volume (GWh)	Supply points ('000)
Distribution Networks	**375,777**	**76,272**	**11,274**	**340,744**	**79,519**	**10,470**
Portugal	229,168	44,143	6,302	226,823	45,666	6,277
Spain	52,492	7,559	1,371	20,766	8,262	668
Brazil	94,118	24,570	3,601	93,155	25,591	3,524
Transmission Networks	**316**	-	-	**113**	-	-
Brazil	316	-	-	113	-	-

Revenue for electricity distributors in Portugal, Spain and Brazil is determined by a remuneration framework based on regulatory asset base (**RAB**). Under this model, regulators approximate how much money a distribution network company has invested in the energy infrastructure network and recognises a return on that investment. The aggregate RAB of the Group's distribution networks amounted to approximately €6 billion as of 31 December 2020 (76 per cent. based in Iberia and 24 per cent. in Brazil), an increase of 7 per cent. from 2019. This remuneration framework is thus mostly dependent of the investment on RAB and the return allowed on the investments. Investments are allowed by the regulator under a specific benchmark or set of assumptions for cost of investment and the network operators may either outperform or underperform such benchmark. Demand bears little impact on the remuneration of distribution in Portugal and none in Spain, while for Brazil its impact is more significant, even though a remuneration framework on RAB is still followed.

Distribution in Iberia

Portugal

Electricity Distribution

EDP Distribuição is EDP's regulated electricity distribution company in Portugal, which operates under a public service concession. Within the scope of its activity, EDP Distribuição performs approximately 95 per cent. of the electricity distribution in Portugal.

EDP Distribuição had over 229,000 km of network in Portugal on 31 December 2020, (an increase of 1 per cent. year-on-year), of which 78 per cent. corresponds to overhead lines and 22 per cent. to underground lines.

For the year ended 31 December 2020, the volume of electricity distributed declined by 3 per cent. to 44,143 GWh from 45,666 GWh in 2019, mainly due to the negative effect of the COVID-19 pandemic. EDP had 6.3 million supply points in 2020, a 0.4 per cent. increase compared to the previous year.

Service quality

The quality of EDP's technical service, monitored by the Energy Services Regulatory Authority (**ERSE**), is measured by the indicator "installed capacity equivalent interruption time" (**ICEIT)**, which measures the specific amount of interruption time under EDP's control. In 2020, ICEIT increased 7 per cent. year-on-year to 60 minutes, remaining below the regulator's benchmark.

EDP continued to invest in the maintenance of its systems and continues to undertake new technical and organisational initiatives, which have enabled its distribution network to function properly despite adverse weather conditions. EDP is particularly focused on Portuguese regions that have historically recorded comparatively lower levels of quality of service, for which it has devised specific improvement plans that include maintenance, restructuring and strengthening of networks.

Innovation

The transition towards a smarter network is a key enabling factor of the energy transition and an increasingly important part of EDP's strategy. To increase efficiency, reduce costs and improve the quality of supply, while also allowing for distributed generation and servicing of electric vehicles, EDP developed InovGrid. InovGrid is an innovative project that seeks to introduce advanced metering infrastructure improvements to its network management capability in Portugal through the use of smart meters. EDP believes that InovGrid will bring significant benefits to customers, with increased control over energy consumed, increased flexibility of tariffs and value added services.

During 2019, EDP installed 630,000 EDP Boxes smart meters (**EBs**) in Portugal, resulting in a total installed base of 3.2 million EBs as of 31 December 2020.

In addition to smart metering, EDP is introducing remote metering in all locations of transformers and public lighting circuits. It has also installed distribution transformer controllers (**DTC**) to monitor the grid in low-voltage substations. As of 31 December 2020, there were approximately 27,000 DTCs installed in Portugal, of which around 5,000 units were installed between 1 January and 31 December 2020.

Operational Efficiency

The increase in operational efficiency at EDP Distribuição has allowed more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of supply points per employee, frequently used as a measure of productivity in distribution companies, increased from 1,052 in 2004 to 2,147 for the year ended 31 December 2020. The energy distributed per employee as of 31 December 2020 was 15.0 GWh compared to 7.4 GWh in 2004.

Last Resort Supplier

Under Portuguese law, transitory last resort supply tariffs are available to encourage Portuguese customers to switch to the liberalised natural gas and electricity markets. Customers can nevertheless opt for a regulated tariff even if they have moved to the liberalised market.

In Portugal, EDP supplies electricity in the regulated market through SU Eletricidade, formerly EDP Serviço Universal, S.A.. The prices that SU Eletricidade charges for the electricity supplied to the customers remaining in the regulated market are uniform throughout mainland Portugal and subject to extensive regulation. Revenues for last resort suppliers comprise different components according to the regulated activity: (i) the costs with the purchase and sale of energy and the access to the networks are fully recovered and recognised in the regulated cost base; and (ii) the operational expenditure for the commercialisation activity, which is subject to a price-cap mechanism, with an efficiency factor of 1.5 per cent. Total clients supplied by SU Eletricidade in the year ended 31 December 2020 declined by 7 per cent. to 965,000 from 1.0 million as of 31 December 2019. Volumes supplied by SU Eletricidade fell from 2.7 TWh in 2019 to 2.4 TWh in the year ended 31 December 2020.

EDP Gás SU is the entity responsible for the supply of natural gas in the regulated market. As of 31 December 2020, EDP Gás SU had 34,0000 customers and supplied 167 GWh during 2019 a reduction of 8 per cent. and 17 per cent. year-on-year, respectively, mainly due to the switch from customers to the liberalised market.

The following table provides an overview of the last resort supply customers and energy volumes as of 31 December 2020 and 2019:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Customers ('000)	Energy Supplied (GWh)	Customers ('000)	Energy Supplied (GWh)
Electricity	**965**	**2,413**	**1,034**	**2,658**
Gas	34	167	37	202

Spain

Electricity Distribution

EDP España is EDP's Spanish regulated electricity distribution company that operates under a public service license. EDP España has an electricity distribution network covering the regions of Asturias (representing a large majority of its network), Cantabria, Murcia, the Basque Country, Madrid, Valencia, Catalonia and Aragon, totalling 52,492 km on 31 December 2020.

On December 2020, EDP completed the acquisition of Viesgo, a Spanish company. This transaction includes the establishment of a long-term partnership with MSCIF for electricity distribution business in Spain, to be 75.1 per cent. owned by EDP and 24.9 per cent. by MSCIF. This partnership will own three electricity distribution companies: E-Redes (previously 100 per cent. owned by EDP), Viesgo Distribución and Begasa (currently 100 per cent. owned by Viesgo). This enlarged electricity distribution operation in Spain represented a total regulated asset base of €1.7 billion in 2020.

The volume of electricity distributed by the Group in Spain fell 9 per cent. to 7,559 GWh in 2020 from 8,262 GWh in 2019, largely due to a change in the energy mix used by a large industrial client. As of 31 December 2020, EDP España's electricity distribution business had approximately 1,371,000 supply points a 105 per cent. increase compared to the previous year.

Service Quality

Investments made in recent years together with the continuous employment of good work practices have resulted in a decrease in supply interruptions over the period under review. Despite the challenging topographic characteristics in most of its market, EDP believes that EDP España is a leader in service quality in the Spanish electricity system. In 2020, ICEIT decreased 11 minutes compared to the same period last year, to 15 minutes.

Efficiency of operations

The results of EDP España's distribution network reflect the Group's continued efforts to maintain a high level of efficiency. In the electricity distribution area, productivity in the year ended 31 December 2020 was 11.9 GWh distributed per employee and 2,166 supply points per employee.

Distribution in Brazil

Electricity Distribution

Power transmission and distribution activities are natural monopolies in Brazil. Most Brazilian power distribution consumers are still legally obliged to purchase energy from the local distribution companies to which they are connected. As such, the regulated electricity market in Brazil is composed mainly of distribution companies and captive consumers whose commercial relationship is fully regulated by the Brazilian National Electric Energy Agency (**ANEEL**).

EDP's distribution activities in Brazil are carried out by two concessionaires, EDP São Paulo and EDP Espírito Santo which together serve more than 3.6 million customers. EDP São Paulo distributes electricity in 28 cities in Alto Tietê, Vale do Paraíba and regions of the north coast in São Paulo State and EDP Espírito Santo performs its activity in 70 cities in Espírito Santo State, which represents 90 per cent. of the territory of Espírito Santo.

Distributed electricity in Brazil declined 5 per cent. in 2020 compared to 2019, mainly due to the 12 per cent. year-on-year fall in the second quarter of 2020 due to COVID-19, which was partially offset by a 2 per cent. recovery in consumption rates in the fourth quarter of 2020 in EDP's concession areas. There was also an increase in the number of supply points, to 3.6 million in 2020 compared to 3.5 million in the previous year.

Service Quality

Equivalent Interruption Duration per Customer (**DEC**) measures the time a customer has run out of electricity in a given period. ANEEL sets limits for this indicator and requires distribution companies to maintain a minimum level of service quality. To this end, EDP conducts regular preventive maintenance inspections and improvement measures to reduce the number of faults in the electricity grid and ensure the rapid recovery of operation in case of a fault.

In year ended 31 December 2020, EDP Brasil posted stable results, with DEC 7.2 hours for EDP São Paulo (from 7.0 hours in 2019) and 7.9 hours for EDP Espírito Santo (from 8.2 hours in 2019) in compliance with ANEEL standards.

Electricity transmission in Brazil

The electricity system in Brazil is connected by transmission lines that transport electricity produced in remote areas of Brazil to major consumers' markets, mainly located in the south-east of the country. The grid is actually managed by the Operator of the National Electricity System, a non-profit entity responsible for the coordination and control of generation and transmission installations in the National Interconnected System to reduce global costs and enhance security of supply, especially during dry seasons.

In April 2017, EDP Brasil strengthened its position in the Brazilian electric transmission market by winning a concession to operate four additional electricity transmission lines in a regulated area. Adding the transmission line concession awarded in 2016, EDP Brasil is expected to invest R$3.1 billion in the construction of approximately 1,300km of new transmission lines in the states of Santa Catarina, São Paulo, Minas Gerais, Espírito Santo and Maranhão.

On 23 December 2018, transmission line "24" began its commercial operation, nearly 20 months ahead of ANEEL's schedule. Transmission line "24", consists of a 113 km transmission line in the state of Espírito Santo, and was awarded to EDP through an auction process on 28 October 2016.

On 28 May 2019, EDP announced the acquisition of transmission line with a total length of 142 km and two sub-stations, from CEE Power and Brafer, for R$407 million, including acquisition price and investment amount.

In December 2020, EDP held 25.4 per cent. of the total shares of CELESC, the electricity utility company for the southern Brazilian state of Santa Catarina. At the date of this Prospectus, EDP has increased its stake in CELESC reaching 28.8 per cent.

In December 2020, EDP had two of its six transmission lines in operation, representing 316 km.

3. Clients Solutions and Energy Management

The Clients Solutions and Energy Management segment includes customer services, energy trading and thermal generation in Portugal, Spain and Brazil.

Clients Solutions and Energy Management in Iberia

For the year ended 31 December 2020, EDP supplied 27,447 GWh of electricity to approximately 4.1 million customers and 16,708 GWh of gas to approximately 657,000 customers in Iberia. The following table sets forth EDP's electricity and gas customer base in Iberia as of 31 December 2020 and 31 December 2019, as well as volumes sold during 2020 and 2019.

	31 December 2020				31 December 2019			
	Electricity		Gas		Electricity		Gas	
	B2B	B2C	B2B	B2C	B2B	B2C	B2B	B2C
Customers ('000)	**147**	**3,908**	**9**	**648**	**161**	**4,881**	**9**	**1,501**
Portugal	125	3,908	4	648	138	3,966	3	655
Spain	22	-	6	-	23	915	6	845
Energy Supplied (GWh)	**15,333**	**12,114**	**11,743**	**4,964**	**17,469**	**12,427**	**12,964**	**5,975**
Portugal	6,915	10,180	2,423	1,704	7,690	10,305	1,974	1,819
Spain	8,418	1,934	9,320	3,260	9,779	2,122	10,990	4,156

Excluding the impact from the disposal of EDP's B2C portfolio in Spain to Total, S.A. in December 2020, the number of electricity clients in Portugal and Spain (B2B only) slightly decreased, as EDP maintains its focus on service quality and is leveraging on its customer portfolio to increase the share of wallet.

EDP believes that its energy services business will play an increasingly important role in retaining customers and in creating value for EDP and its customers. EDP is focused on designing and implementing value-added solutions for B2B and B2C customers, from energy efficiency and microgeneration, to electricity quality monitoring and maintenance of electrical equipment. The penetration rate of new services increased by 38 per cent. year-on-year to 26.1 per cent. in December 2020, as a consequence of a 5 per cent. increase in the number of Funciona clients and also the deconsolidation of a portfolio of B2C clients with lower service penetration. EDP keeps growing into new energy solutions involving its clients in the energy transition and, in 2020, EDP installed approximately 15,000 distributed solar panels (a 70 per cent. increase compared to 2019) in Portugal B2C.

In total, the amount of electricity supplied in 2020 decreased by 8 per cent. This was mainly driven by the B2B segment which was down 12 per cent. on 2019, heavily impacted by the slower economic activity during the lockdowns resulting from COVID-19. Demand in the B2C segment was also impacted by the deconsolidation of these assets on 1 December 2020.

Portugal

Supply of Electricity and Natural Gas

EDP currently holds the leading position in the Portuguese electricity supply domestic market, according to ERSE, and supplies electricity and natural gas to customers in the liberalised market through EDP Comercial.

Supply in the liberalised market

The electricity sold by EDP Comercial in 2020 amounted to 17,095 GWh, compared to 17,995 GWh in 2019. As at 31 December 2020, the number of customers was approximately 4,033 thousand, compared to 4,104 thousand customers at 31 December 2019. This decrease in customers is a function of price competition in the supply market.

Regarding gas supply, EDP's successful dual offer (electricity and gas) to residential and small B2C, continued steadily. EDP Comercial's B2C gas customers in the year ended 31 December 2020 stood at 648,000 compared to 655,000 in the year ended 31 December 2019.

Spain

Supply of Electricity and Natural Gas

In Spain, EDP supplies electricity and natural gas to customers in the liberalised market through EDP España and EDP Comercializadora, while last resort customers are supplied by EDP Comercializadora de Último Recurso S.A.

Supply in the liberalised market

The electricity sold by EDP Comercializadora in 2020 amounted to 10,352 GWh, compared to 11,901 GWh in 2019. As at 31 December 2020, the number of customers was approximately 22,000, compared to approximately 937,000 customers as at 31 December 2019.

The volume of gas supplied by EDP Comercializadora in 2020 amounted to 12,581 GWh, compared to 15,147 GWh in 2019. As at 31 December 2020, the number of customers was approximately 6,000, compared to approximately 851,000 customers as at 31 December 2019.

The reduction in customers and supply volume in 2020 was the result of EDP's sale of its respective B2B and B2C portfolio to Total, S.A. in December 2020.

Thermal Generation and Energy Management in Iberia

EDP's thermal generation assets in Iberia have an aggregate total maximum capacity of 6.2 GW as of 31 December 2020. CCGTs represent 59 per cent. of total maximum capacity, followed by coal plants (38 per cent.), nuclear plants (2 per cent.) and cogeneration plants (1 per cent.).

The following table sets forth EDP's thermal installed capacity as of 31 December 2020 and 31 December 2019, as well as electricity generation from its thermal infrastructure during 2020 and 2019.

	Year ended 31 December 2020					Year ended 31 December 2019				
	CCGT	Coal	Nuclear	Cogeneration and Waste	Total	CCGT	Coal	Nuclear	Cogeneration and Waste	Total
Installed Capacity	**2,886**	**1,970**	**156**	**42**	**5,053**	**3,729**	**3,150**	**156**	**49**	**7,084**
Portugal	2,031	-	-	17	2,049	2,031	1,180	-	24	3,236
Spain	854	1,250	156	25	2,285	1,698	1,250	156	25	3,128
Brazil	-	720	-	-	720	-	720	-	-	720
Equity Installed Capacity	**-**	**-**	**-**	**10**	**10**	**-**	**-**	**-**	**10**	**10**
Portugal	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	10	10	-	-	-	10	10

Power generation is a liberalised activity in Iberia. EDP sells its thermal electricity output in Mercado Ibérico de Electricidade – Iberian Electricity Market (**MIBEL**) directly to energy consumers at spot market prices set on a daily basis.

Iberia

EDP's thermal generation infrastructure in Portugal consist of four power plants. The largest is a coal-fired plant located in Sines, with an installed capacity of 1,180 MW, which was contracted by PPA / CMEC until 30 June 2017 and is now in operation in the liberalised market. The other plants are CCGT installations located in Carregado (CCGT do Ribatejo with an installed capacity of 1,169 MW) and Figueira da Foz (Lares I and Lares II with an installed capacity of 863 MW). To reduce emissions from its existing thermal power plants, EDP installed the DeSOx and DeNOx equipment in Sines.

Production in 2020 decreased 18 per cent. compared to 2019, largely explained by the reduction in coal output (a 41 per cent. year-on-year decrease) leading to a 14 per cent. decrease in the load factor of EDP's coal plants to 20 per cent. in 2020. The Sines coal plant ceased production in late December 2020, after completing the forced burning of coal stocks during the second half of 2020. Decommissioning works started on 15 January 2021. Slightly lower CCGT output (a decrease of 4 per cent. compared to 2019) reflected the lower residual thermal demand and deconsolidation of Castejón power plants in the beginning of December 2020.

As of 31 December 2020, EDP España had a total installed thermal capacity of 2,285 MW. CCGT power installations accounted for 1,698MW, coal-fired plants for 1,250 MW, and cogeneration and biomass plants for 25 MW. EDP also holds a minority participation in Central Nuclear Trillo I, A.I.E., which owns the nuclear power plant in Trillo,

corresponding to 156 MW of the plant's net capacity of 1,003 MW. In line with the objective of reducing emissions from its existing thermal power plants, approximately 72 per cent. of EDP's coal portfolio in Spain owned DeSOx / DeNOx equipment on 31 December 2020.

In December 2020, EDP completed the disposal to a subsidiary of Total, S.A. of: (i) two combined cycle gas turbine power plants (Castejón I and III), with 843 MW of installed capacity located in Navarra, North of Spain; and (ii) EDP's B2C energy supply business in Spain, which included 1.2 million clients in the free market. In addition, EDP and CIDE reached an agreement for the acquisition by CIDE of EDP's 50 per cent. stake in CHC, which was completed in February 2021.

Energy Transition

The acceleration of the energy transition process in recent years has led to a material deterioration of the operating outlook for coal plants in the Iberian market. The competitiveness of these assets is negatively impacted by the higher cost of CO_2 emissions, lower gas prices and the planned faster growth pace of renewable installed capacity. As a result, EDP has decided to anticipate the shutdown process of its coal power plants in Iberia. However, EDP continues to develop the following projects where its coal plants are located:

(i) *Sines*: a generation license waiver statement was obtained and has been effective since January 2021. For this site, EDP has developed, in consortium with other companies, a project for the production of green hydrogen. This project has potential to export green hydrogen by sea and is within the scope of the EC's "Important Project of Common European Interest";

(ii) *Soto de Ribera 3*: EDP anticipates a shutdown date for the plant during the course of 2021. EDP is analysing the development of what it believes is an innovative project of energy storage for this site; and

(iii) *Aboño*: EDP is in the process of converting the licence from a coal power plant to a furnace gas power plant.

Clients Solutions, Thermal Generation and Energy Management in Brazil

Clients and Energy Management

EDP supplies electricity in the liberalised market in Brazil through EDP Comercializadora de Energia, which operates both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercializadora de Energia supplied 25,554 GWh in the year ended 31 December 2020, compared to 24,036 GWh in the previous year. The 6 per cent. decrease in electricity supplied is due to a decline in captive market customers, which have switched to other suppliers in the liberalised market, due primarily to price competition.

EDP Grid and APS are EDP Brasil's business units leading the transition to the low carbon economy. The business operates based on the assumption that it is possible to reduce energy consumption by installing more efficient equipment and developing energy generation and cogeneration projects with less polluting alternative sources, prioritising the reuse of waste. EDP Grid is also responsible for the Group's solar energy operations in Brazil.

Thermal Generation and Energy Management in Brazil

EDP's thermal generation infrastructure in Brazil is concentrated in the Pecém 720 MW coal power plant located in the Ceará state. The plant has a PPA for remuneration according to availability of the plant thermal technical availability decreased from 95 per cent. in 2019 to 92 per cent. in 2020, largely as a result of the Group's efforts to improve operation and maintenance standards above the regulatory target of 83.75 per cent.

EDP's thermal generation plant, Pecém I, was not used from April to August 2020, and was only used during three days in September 2020, as a result of lower electricity demand and better hydro conditions in the northeast of Brazil. As the economy recovered in the fourth quarter of 2020, amidst dry weather, generation activity increased and the load factor of Pecém I increased to 67 per cent. Nevertheless, providing this plant is PPA remunerated based on availability, results tend to be stable and less dependent on actual production.

EDP'S OTHER ACTIVITIES

EDP also has financial interests in other energy and non-energy related assets, notably a 10.6 per cent. indirect interest in Companhia de Electricidade de Macau – CEM, S.A. which is a utility company that acts as the exclusive concessionaire for transmission, distribution and supply of electricity in the Macau Special Administrative Region since 1985.

EDP also owns 50 per cent. in a co-controlled joint venture with China Three Gorges Corporation since 2015, Hydro Global Investment, Ltda. (**Hydro Global**) which is headquartered in Hong Kong. Hydro Global invests in hydro power projects in selected emerging markets.

LITIGATION

At any given time, EDP and its subsidiaries may be party to litigation or subject to non-litigated claims arising out of the normal operations of its global business. These legal, arbitration or other actions involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In addition to such matters listed below, Holders should refer to Note 29 (Provisions) and Note 4 (Critical accounting estimates and judgements in preparing the financial statements) to the H1 2021 EDP Financial Statements and Note 36 (Provisions) and Note 4 (Critical accounting estimates and judgements in preparing financial statements) to the 2020 EDP Financial Statements.

Investigation regarding the early termination of certain PPAs, the costs for the maintenance of the CMEC and certain payments made in relation to its rights in respect of the Public Hydro Domain concession

In 2003, changes in EU legislation occurred aiming to deepen the liberalisation of the energy sector. In parallel, the government of Portugal and Spain assumed the commitment for the implementation of MIBEL. Aiming to achieve such objectives, the Decree-Law no. 240/2004 was published, which provided for the early termination of the PPAs that were signed in 1996. As a result of this required early termination, EDP and REN - Rede Eléctrica Nacional, S.A. (**REN**) agreed in 2005, subject to a set of conditions (and with amendments in 2007), to the early termination of their long-term PPAs, with effect on the date in which such conditions were met (meaning 1 July 2007). One of such conditions was the grant of the right of use for the Public Hydro Domain (**DPH**) until the useful life of the equipment and of the civil infrastructures, for each hydroelectric power plant. The methodology which was used to determine the amount of the compensation that EDP was entitled to receive in connection with such early termination, the CMEC, was approved by the EC in 2004 (Decision N161/2004) which considered the compensation as effectively and strictly necessary. Moreover, Decree-Law no. 240/2004 was passed under legislative authorisation by the Portuguese parliament.

On 8 March 2008, following the provision of Decree-Law no. 226-A/2007 that targeted the regularisation of historic rights regarding the use of DPH, the Portuguese government, REN and EDP Gestão da Produção signed several service concession arrangements for which EDP Produção paid €759 million as consideration of the economic and financial balance for the use of the DPH (including hydro resources tax, amounting to €55 million). The additional payment obligation did not exist within the 2004 legal framework that granted to hydroelectric power plants holders the option to continue to exploit such plants until the end of the respective useful life.

In 2012, the EC and the Portuguese authorities (**Public Prosecution Services**) received complaints concerning the early termination of the PPAs and the methodology of the costs for the CMEC, as well as in respect of EDP's rights to use the DPH.

Following the complaint received, the EC requested clarifications from the Portuguese state in relation to the early termination of the PPAs and its replacement for the CMEC, having concluded in September 2013 that the compensation payments received for early termination did not exceed what was necessary to repay the shortfall in investment costs repayable over the asset's lifetime, and determined that the implementation of the CMEC remains in keeping with the terms notified to and approved by the EC in 2004. Thus, the EC decided that no in-depth investigation into the CMEC process was required. Nevertheless, in the same document, the EC considered relevant to perform in-depth investigation regarding the concession rights of DPH by EDP plants.

On 15 May 2017, the EC formally concluded its in-depth investigation into the DPH concession rights concluding that the compensation paid by EDP was compatible with market conditions. The EC also concluded that the financial methodology used to assess the price of the concessions was appropriate and resulted in a fair market price, and therefore, no state aid had been granted to EDP.

As such, EDP believes that the amounts due for the termination of PPAs under the CMEC and the amount paid for the DPH concession rights were fair and in compliance with market conditions and based on arm's length transactions.

On 2 June 2017, EDP became aware of Portugal's Public Prosecution Services investigation (**Investigation**) in relation to the amounts due to EDP for the termination of the PPAs and compensation paid by EDP for the DPH concessions (in the context of which EDP allegedly has been favoured in the amount of €1.2 billion, of which: (i) €339.5 million allegedly relate to the use of inadequate interest rates in the calculation and tariff repercussion of the initial CMEC; (ii) €852 million allegedly relate to the use of incorrect interest rates in the valuation of the DPH; and (iii) €55 million allegedly relate to a supposed "pardon" of the water resources tax). Portugal's Public Prosecution Services stated that the Investigation relates to possible crimes of active and passive corruption and economic participation in business and it conducted searches at the offices of EDP, grid operator REN and the local division of a consulting group. In the context of the Investigation, the Portuguese Public Prosecution Services stated that Mr. António Luís Guerra Nunes Mexia and Mr. João Manuel Manso Neto, then chairman and member of the Executive Board of Directors of the Issuer, respectively, as well as former EDP directors that had signed the relevant contracts, were named as targets of the Investigation.

On 5 June 2020, the Issuer's then Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, and then Member of the Executive Board of Directors of EDP, Mr. João Manuel Manso Neto, were notified of the Public Prosecution Services' proposals to the Portuguese Central Court of Criminal Investigation (the **Court**) regarding a review of the measures of constraint against such individuals in connection with the Investigation. The proposed measures being sought by the Public Prosecution Services included the suspension of their functions as members of the Executive Board of Directors of EDP and its subsidiaries.

On 6 July 2020, the Court adopted the measures of constraint being sought by the Public Prosecution Services and Mr. António Luís Guerra Nunes Mexia and Mr. João Manuel Manso Neto were suspended from their functions at EDP and its subsidiaries. The Investigation continues in the inquiry phase and neither Mr. António Luís Guerra Nunes Mexia nor Mr. João Manuel Manso Neto have been formally charged.

On 6 July 2020, the General and Supervisory Board and the Executive Board of Directors designated Mr. Miguel Stilwell de Andrade as Interim (now effective) Chairman of the Executive Board of Directors of the Issuer while Mr. António Luís Guerra Nunes Mexia was suspended, in addition to his former role as Chief Financial Officer.

On 30 November 2020, and as disclosed to the market on such date, EDP received a letter from Mr. António Mexia, suspended Chief Executive Officer, and a letter from Mr. João Manso Neto, suspended Member of the Executive Board of Directors, informing the Issuer of their unavailability to join any candidate list to the corporate bodies of EDP for the upcoming term-of-office (2021-2023).

On 19 January 2021, an Extraordinary General Shareholders' Meeting was held, and a new management team was appointed to the Executive Board of Directors, for the 2021-2023 triennium.

As the Investigation is ongoing, there can be no assurance as to its ultimate outcome, including whether any formal charges will be brought against Mr. António Luís Guerra Nunes Mexia, Mr. João Manuel Manso Neto or any other persons or entities. It is not possible to predict any outcome at this stage in the process.

In the context of the Investigation, the Issuer has been named as a defendant regarding the alleged improper hiring of the father of the former energy secretary of state, Mr. Artur Trindade

On 13 July 2020, EDP was notified that, in the context of the Investigation, the Public Prosecution Services has requested that EDP be named as a defendant – under articles 374 (active corruption) and 374-A (qualification) of the Portuguese Penal Code – in connection with the alleged improper hiring of the father of the former Energy Secretary of State, Mr. Artur Trindade (also named Artur Trindade) as an external consultant to EDP's Institutional Relations and Stakeholders Department, between 2012 and 2016.

According to the notification, the Public Prosecution Services proposed to convene a hearing of the Issuer's legal representative. As to this date, such diligence has already occurred and the Issuer was named as a defendant in the context of such Investigation.

As the investigation is ongoing, there can be no assurance as to its ultimate outcome, including whether any charges will be brought against the Issuer by the Public Prosecution Services.

REGULATORY FRAMEWORK

EUROPEAN ENERGY POLICY

1. Clean Energy for All Europeans

The EU has issued a comprehensive update to its energy policy framework to facilitate the transition from fossil fuels towards cleaner energy and to deliver on the EU's Paris Agreement commitments (**COP21**) for reducing greenhouse gas (**GHG**) emissions.

On 30 November 2016, the EC presented a package proposal, known as the Clean Energy for All Europeans (**CEP**), which marks a significant step towards the implementation of the energy union strategy, adopted under the Paris Agreement in 2015, and to keep the EU competitive during the clean energy transition. CEP consists of eight legislative acts comprising five main areas: (i) Energy Efficiency, (ii) Renewables, (iii) Market Design, (iv) Security of Supply and (v) Governance, with three key goals: (i) putting energy efficiency first, (ii) achieving leadership in renewable energies and (iii) providing a fair deal for consumers.

After two years of debate, the EC, the European Council and the European Parliament reached a political agreement on the CEP. These eight legislative acts were already published in the Official Journal (**OJ**) of the EU (after publication in the OJ, Regulations apply directly to all EU Member-States while Directives have to be transposed into national law):

- On 19 June 2018, Directive 2018/844 of the European Parliament and of the Council of 30 May 2018, amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency;
- On 21 December 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action;
- On 21 December 2018, Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast);
- On 21 December 2018, Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency;
- On 14 June 2019, Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC;
- On 14 June 2019, Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators;
- On 14 June 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity; and
- On 14 June 2019, Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU.

The changes in the EU energy policy framework intend to bring considerable benefits from a consumer perspective, from an environmental perspective and from an economic perspective. It also underlines EU leadership in tackling global warming and aims to provide an important contribution to the EU's long-term strategy of achieving carbon neutrality by 2050.

Renewable Energy

The promotion of electricity from renewable energy sources (**RES**) is a priority in the EU for purposes of security and diversification of energy supply, environmental protection and social and economic development. On the Climate Action policy area, one of the main goals is to make the EU a global leader in renewables, in compliance with the Paris Agreement. CEP establishes the following targets for RES: (i) binding RES target of 32 per cent. by 2030 at EU level, with a review clause by 2023 for a possible upward revision; (ii) no country-specific targets, but through governance legislation there will be three intermediate points (18 per cent. of the 2030 target must be met by 2022, 43 per cent. by 2025 and 65 per cent. by 2027) to be achieved at national and EU level; and (iii) the annual increase of energy from renewable sources in heating and cooling will be 1.3 per cent. indicatively, or 1.1 per cent. if waste heat is not taken into account.

Those Member States which fall below their reference points for renewable energy will have to cover the gap by implementing measures at national level within one year following assessment. They can opt for: (i) presenting additional measures to accelerate renewable installed capacity; (ii) increase percentage RES in heating and cooling or in transports; (iii) use financing platform; (iv) make a voluntary financial payment to the EU renewable energy financing mechanism; and (v) use the cooperation mechanisms set out in Directive (EU) 2018/2001.

CEP also establishes several provisions to enable the large-scale investment in RES, namely regarding financial support mechanisms:

- Member States will be allowed to have technology-specific auctions and will have to provide at least five years visibility on public support, including the timing, volumes and budget for auctions;
- An "investment protection clause" has been introduced that prevents retroactive policy changes affecting existing renewable projects; and
- Direct price support schemes shall be granted in the form of market premium, which could be, *inter alia*, sliding or fixed.

Energy Efficiency

Energy efficiency is one of the priorities of the EU, and one of the corner stones of the Energy Union strategy. The Energy Efficiency Directive, Directive 2012/27/EU of the European Parliament and the Council, of 25 October 2012, sets rules and obligations in order to meet the 2020 energy efficiency target of a 20 per cent. increase. To reach the EU energy efficiency target, each EU Member State defined its own indicative national energy efficiency targets, which can be based on primary or final energy consumption, primary or final energy savings or energy intensity.

The 2030 climate and energy framework sets a target of 27 per cent. improvement in energy efficiency for 2030.

Directive (EU) 2018/2002 of the European Parliament and of the Council amending Directive 2012/27/EU on energy efficiency now includes a more ambitious energy efficiency target for the EU for 2030 of at least 32.5 per cent. with an upwards revision clause by 2023.

Member States must achieve a cumulative end-use savings requirement for the entire obligation period 2021-30, equivalent to new annual savings of at least 0.8 per cent. of final energy consumption and may make use of an energy efficiency obligation scheme (where obligated parties such as the distribution system operator (**DSO**) and retail energy sales companies shall achieve their cumulative end-use energy savings requirement among final customers) or alternative policy measures or both.

The primary energy factor value for electricity was established at 2:1 and will be reviewed by 25 December 2022 every four years thereafter.

Market Design

The CEP sets a framework for the evolution of the electricity market design:

Day-ahead and intraday markets

Electricity markets should deliver market-based prices, with no price caps or floors and equal treatment should be given to generators, storage and demand response. Day-ahead and intraday markets will have harmonised gate closure times and consistent characteristics (products, volumes, market times and principles).

Balancing markets, curtailment and redispatch

Balancing capacity must be procured by the TSO, separately for upward and downward capacity, and may be facilitated on a regional level.

Balancing energy/imbalances should pursue the following key principles: (i) imbalance pricing not determined in contract for balancing capacity, must reflect the "real-time value" of energy (15-minute imbalance settlement period by 2021); (ii) balancing energy to be settled at marginal price; and (iii) bids as close to real time as possible, and at least after gate closure for intraday cross-zonal market.

Curtailment and re-dispatching should respect the following principles: (i) non-discriminatory and market-based, being open to all technologies (including storage); (ii) balancing energy bids for re-dispatching not to set the balancing energy price; (iii) if non-market-based, then compensation shall be paid up to the highest of the additional operating costs or the total lost day-ahead market revenue; and (iv) system operators have increased reporting obligations to the Agency for the Cooperation of European Regulators, notably on the volumes of and reasons for redispatch and the corrective measures foreseen.

Capacity remuneration mechanisms

One of the key aims for the EU is to be leader in electricity generation using renewable sources. This is an important goal to achieve: secure, clean and affordable energy supply to European consumers. But it does add some challenges, as those energy sources have an intermittent nature which reflects into a growing concern for security of supply.

To prevent possible electricity shortages, some Member States have designed different types of capacity remuneration mechanisms (**CRM**) to assure backup capacity by remunerating electricity generators and other capacity providers, such as demand response operators, for being available in case of need.

The new EU legislation does not exclude the need for CRM, as CRM addresses the need for sufficient investment, but it discourages the usage of CRM as a substitute for market reforms that may be required to address regulatory and market failures causing capacity shortages. These mechanisms must be designed to suit specific problems and should rely on competitive processes to avoid failing the achievement of the goal or over compensation.

When a Member State decides to take complementary measures in the form of capacity mechanisms likely to involve State aid, such Member State must notify the EC for approval under State aid rules. Some capacity mechanisms were already approved by the EC under EU State aid rules.

The introduction of a CRM is presented in CEP as a last resort decision. Regarding their design, mechanisms must be temporary (no longer than 10 years), subject to non-discriminatory and competitive processes and technology neutral (including storage and demand side management). Participation is not allowed to new generation capacity emitting more than 550g CO_2/kWh and, as of 1 July 2025, to generation capacity emitting more than 550g CO_2/kWh and more than 350kg CO_2/kWh/year on average. Existing capacity mechanisms had to adapt to these requirements by 31 December 2019, but existing contracts have not been amended.

Role of Network Operators

The CEP clarifies the roles of TSOs and DSOs, setting limits to ownership of storage and e-mobility infrastructure:

TSO

TSOs must create "regional coordination centres" by 1 July 2022, under plans approved by the national regulatory authorities (**NRA**), to coordinate: (i) capacity calculation and procurement of balancing capacity; (ii) supporting security and restoration and adequacy forecasting; (iii) interconnector entry capacity for cross-border CRMs; (iv) risk preparedness and liability to TSO established in plans; and (v) costs approved by NRAs recovered in TSO tariffs.

TSOs must also guarantee a minimum availability of 70 per cent. of capacity for cross-border trade taking into account network contingencies and reliability margin (the total capacity used for reliability margins, loop flows and internal flows in the capacity calculation process must not exceed 30 per cent. on each critical network element) and shall procure ancillary services in a market-based way (with criteria of transparency, non-discrimination and openness), defining the specifications for the non-frequency ancillary services procured and, where appropriate, standardised market products for such services.

DSO

Member States shall incentivise DSOs to procure flexibility services, including congestion management, in coordination with TSOs and according to transparent, non-discriminatory and market-based procedures. Where a DSO is responsible for the procurement of products/services necessary for the efficient, reliable and secure operation of the distribution system, it shall procure its non-frequency ancillary services in a market-based way (with criteria of transparency, non-discrimination and openness).

The distribution network development plans will be published at least every two years and in consultation with all relevant system users and must include medium and long-term flexibility service's needs.

DSOs must create an "EU-DSO", focused on digitalisation and data, network codes, integration of RES for electricity and demand side response, among others.

Storage

TSOs and DSOs are not allowed to own, develop, manage and operate energy storage facilities as a principle where the ownership/development/management/operation of energy storage facilities shall be a market activity.

A public consultation shall be organised by regulatory authorities at least every 5 years to assess the interest of market parties in existing storage facilities.

Electric mobility charging infrastructure

DSOs are not allowed to own, develop, manage or operate recharging points for electric vehicles, with the exception of private recharging points owned solely for their own use. A public consultation shall be organised by regulatory authorities at least every 5 years to assess the interest of market parties in developing, operating or managing recharging points for electric vehicles.

Supply

The revised Electricity Directive (Directive (EU) 2019/944) promotes a consumer-centred electricity market with consumer protection provisions:

Smart metering and dynamic prices

Member States shall ensure the implementation of smart meters, which may be subject to a cost-benefit assessment (**CBA**) of costs and benefits and prepare a timetable with a target of up to 10 years for the deployment of smart meters. If the roll-out of smart meters is assessed positively, they should cover at least 80 per cent. of customers within seven years from the date of the positive assessment or by 2024 for those Member States that have initiated the systematic deployment of smart metering systems prior to the Directive's date of entry into force.

In case of smart meter deployment, Member States shall adopt and publish the minimum requirements of smart meters, according to what is established in the Electricity Directive, ensure interoperability and ensure that final customers contribute to the roll-out costs in a transparent and non-discriminatory manner. Otherwise, Member States shall perform new CBA at least every four years (or more frequently if there are significant changes in the underlying assumptions) and ensure customers are entitled to a smart meter (bearing the costs), within a reasonable time and no later than four months after they request it.

Member States shall enable electricity suppliers to offer a dynamic electricity price contract and ensure that final customers with a smart meter can request a dynamic electricity price contract from every supplier with more than 200,000 final customers. Member States shall also publish an annual report (for at least 10 years), on the main developments of dynamic price contracts including market offers, impact on consumers' bills and level of price volatility.

Price intervention

Member States may apply public interventions in the price setting for the supply of electricity, which should pursue a general economic interest, be limited in time and proportionate and not result in additional discriminatory costs for market participants.

By 1 January 2022 and 1 January 2025, Member States shall submit a report to the EC on the necessity and proportionality of the intervention and an assessment of the progress towards achieving effective competition between suppliers and the transition to market-based prices. By the end of 2025, the Commission shall review and submit a report on this and issue a legislative proposal, if appropriate, to the European Parliament and to the Council, which may include an end date for regulated prices.

Consumer Participation

The CEP defines several frameworks for customers to actively participate in electricity markets (directly or through aggregators). Amongst jointly acting groups of customers and energy communities there are four very similar concepts between the Electricity and the Renewables Directives (Directive (EU) 2019/944 and Directive (EU) 2018/2001, respectively):

- Jointly acting customers (jointly acting final customers and jointly acting renewables self-consumers); and
- Energy communities (citizens energy community (**CEC**) and renewable energy community (**REC**)).

Both jointly acting groups of customers and energy communities are allowed to generate energy, consume the self-generated energy, store and sell (subject to inherent responsibilities as a balance responsible party).

Both jointly acting final costumers and renewable self-consumers and active customers may operate directly or through aggregators, though these activities should not constitute their primary commercial or professional activity. Renewables self-consumers shall be entitled to sell excess production and receive remuneration from grid injections (reflecting market value and which may take into account its long-term value to the grid, environment and society).

REC and CEC are legal entities and may be established between natural persons and local authorities. The main purpose must be to provide environmental, social and economic benefits, rather than financial profit and engage in activities such as electricity generation, distribution, supply, consumption, or other energy services, within a level-playing field.

Member States shall allow and foster participation of demand response through aggregation and allow final customers (including through aggregation) to participate in all electricity markets at a level playing field with generators. They shall also ensure that TSOs and DSOs procuring ancillary services treat demand response aggregators in a non-discriminatory manner alongside generators.

2. Long Term Strategy for 2050 – "Clean Planet 4 all"

On 28 November 2018, the EC adopted a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy by 2050.

The Commission's strategic vision is an invitation to all stakeholders to participate in a debate that should allow the EU to adopt and submit an ambitious long-term strategy by early 2020 to the United Nations Framework Convention on Climate Change (**UNFCCC**) as requested under the Paris Agreement.

European Green Deal

On 11 December 2019, the EC presented the European Green Deal, an ambitious package of measures that is meant to enable European citizens and businesses to benefit from a sustainable green transition and to ensure that there is no net emission of greenhouse gases by 2050, economic growth is decoupled from resource use and no person and place are left behind. Measures were accompanied with an initial roadmap of key policies ranging from cutting emissions, to investing in cutting-edge research and innovation, to preserving Europe's natural environment. The European Green Deal is also a lifeline during the COVID-19 pandemic. One third of the 1.8 trillion euros investments from the NextGenerationEU Recovery Plan, and the EU's seven-year budget will finance the European Green Deal which consists of ten transformative policies (as well as 50 initiatives).

European Climate Law

On 3 March 2020, the EC presented a proposal to write into law the EU's political commitment to be climate neutral by 2050, stated as aiming to protect the planet and people. The 2030 Climate Target Plan, which was under public consultation until 23 June 2020, proposes a cut in greenhouse gas emissions of at least 50 per cent. to 55 per cent. for 2030 (when compared to 1990 levels), increasing the current target of at least 40 per cent., and amending the European Climate Law.

With the European Climate Law, the EC proposes a legally binding target of net zero greenhouse gas emissions by 2050. The EU institutions and the Member States are collectively bound to take the necessary measures at EU and national level to meet the target.

The European Climate Law includes measures to keep track of progress and adjust actions, accordingly, based on existing systems such as the governance process for Member States' national energy and climate plans, regular reports by the European Environment Agency, and the latest scientific evidence on climate change and its impacts. Progress will be reviewed every five years, in line with the global stocktake exercise under the Paris Agreement.

On 9 July 2021, Regulation (EU) 2021/1119 of the European Parliament and of the Council establishing the framework for achieving climate neutrality (**European Climate Law**) was published in the OJ.

New "Industrial Strategy" for a globally competitive, green and digital Europe

On 10 March 2020, the EC presented a new strategy to help Europe's industry lead the twin transitions towards climate neutrality and digital leadership. The strategy aims to drive Europe's competitiveness and its strategic autonomy at a time of moving geopolitical plates and increasing global competition.

The industrial policy package published includes initiatives and strategies on, among others, European industrial strategy, small and medium-sized enterprises (**SMEs**), energy system integration and hydrogen, offshore renewable energy and the rules on Trans-European Networks for Energy.

"*Fit for 55*" - *Delivering the European Green Deal*

On 14 July 2021, the EC unveiled its "*Fit for 55*" package of revised climate and energy laws aiming to align key EU policies with the new 55 per cent. net-emissions reduction by 2030 and putting it on track to hit EU carbon neutrality by 2050. "Fit for 55" is an extensive legislative package and a building block in efforts to reduce the EU's greenhouse gas emissions by 55 per cent. below 1990 levels by 2030. This is the first batch of legislative proposals and it will be complemented by additional proposals by the end of 2021. By the end of 2021, it is also expected that legislative proposals on gas (including hydrogen and other renewable gases) and the Energy Performance of Buildings Directive will be published.

Next Generation EU – Green Recovery Plan

In May 2020, the EC has proposed a new recovery instrument to support Member States in repairing their economies from the damage provoked by the COVID-19 crisis. This instrument, designated "Next Generation EU", will raise money by temporarily lifting the maximum amount that the EU can request from Member States to cover its financial obligations to 2.0 per cent. of EU gross national income. This will allow the Commission to use its strong credit rating to borrow €750 billion on the financial markets. This additional funding will be repaid over a long period of time through future EU budgets, between 2028 and 2058.

The Next Generation EU is a broad financing instrument, covering a large spectrum of economic activities. For the energy sector in particular, the Next Generation EU does not provide any concrete policies, but is anchored in the Green Deal, reinforcing its proposals, such as:

- The Next Generation EU maintains the allocation of 25 per cent. of the budget to be devoted to climate;
- The Solvency Support Instrument must include targets of decarbonisation;
- Decarbonisation targets must be contemplated when designing public support to the transport sector;
- The Recovery and Resilience Facility of €672.5 billion could be partially used to support investments in buildings renovation; and
- The program InvestEU was upgraded and will include investments in technologies that support the energy transition (excluding, *inter alia*, renewables, storage and clean hydrogen).

To implement the Next Generation EU, a political agreement will be required at both the level of European Council and the European Parliament.

Taxonomy Regulation

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, known as "Taxonomy Regulation", is a landmark for the achievement of the SDGs. It is a classification system for sustainable economic activities that will contribute to the European Green Deal by boosting investment in green and sustainable projects. The Regulation sets out six environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

An activity shall be considered compliant with the EU Taxonomy if it:

- contributes substantially to one or more of the above environmental objectives, or enables other activities to make a substantial contribution to one or more of them;
- does not significantly harm any of the other environmental objectives;
- complies with technical screening criteria set out in subsequent delegated acts; and
- is carried out in compliance with certain safeguards (as referred to in the "OECD Guidelines for Multinational Enterprises" and the "UN Guiding Principles on Business and Human Rights", including the principles and rights set out in the eight fundamental conventions identified in the "Declaration of International Labour Organisation on Fundamental Principles and Rights at Work" and the International Bill of Human Rights).

3. Managing and Reducing Emissions

New Gas Directive (The 2020 Gas Package)

The EU emissions trading system (**EU ETS**), the first large GHG emissions trading scheme in the world, was launched in 2005 as a component of the EU's climate policy. The EU ETS is currently in phase 3 and works on a cap and trade principle, with a single EU wide-cap on emissions (rather than the previous national caps system). Under the EU ETS system, emission allowances for the period from 2013 to 2020 are mainly allocated by auction (the default method), in accordance with Directive 2009/29/EC of the European Parliament and of the Council, of 23 April, which amended Directive 2003/87/EC of the European Parliament and of the Council, of 13 October[1]. The EU ETS currently represents over three-quarters of international carbon trading.

The global amount of emission allowances available at the EU level was determined by Commission Decision no. 2010/634/EU, of 22 October, subsequently amended by Commission Decision no. 2013/448/EU, of 5 September, amended by Commission Decision no. 2017/126/EU, of 24 January, and the methodology for allocation was set by Commission Decision no. 2011/278/EU, of 27 April, later amended by Commission Decisions no. 2011/745/EU, of 11

[1] Afterwards amended by Decision (EU) no. 2013/1359 of the European Parliament and of the Council, of 17 December, by Regulation (EU) no. 421/2014 of the European Parliament and of the Council, of 16 April, by Decision (EU) no. 2015/1814 of the European Parliament and of the Council, of 6 October, by Regulation (EU) no. 2017/2392 of the European Parliament and of the Council, of 13 December and by Directive (EU) no. 2018/410 of the European Parliament and of the Council, of 14 March.

November (repealed by Commission Decision no. 2014/746/EU, of 27 October 2014), no. 2012/498/EU, of 17 August, and no. 2014/9/EU, of 18 December.

The revised EU ETS Directive (Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March) entered into force in April 2018 and sets out Phase 4 (2021-2030) of the EU ETS (**Phase 4**). Phase 4 has a strong focus on reinforcing the Market Stability Reserve, the mechanism established by the EU to reduce the surplus of emission allowances in the carbon market and to improve the EU ETS's resilience to future shocks. Between 2019 and 2023, the allowances put in the reserve will double to 24 per cent. of the allowances in circulation. The regular rate of 12 per cent. will then be restored as of 2024.

This is the first step in delivering on the EU's target to reduce GHG emissions by at least 43 per cent. (under the revised system) as part of its contribution to the Paris Agreement.

In November 2018, the EC adopted a strategic long-term vision for a climate-neutral Europe by 2050, which does not set targets, but rather invited national parliaments to submit their draft National Climate and Energy Plans by the end of 2018, while the EU should be able to adopt and submit an ambitious strategy by early 2020 to the UNFCCC as requested under the Paris Agreement (Communication (2018) 773: A Clean Planet for all).

Apart from CO_2, the major waste products of electricity generation using fossil fuels are sulphur dioxide (**SO2**), nitrogen oxide (**NOx**) and particulate matter, such as dust and ash.

Directive 2010/75/EU of the European Parliament and the Council, of 24 November (the **IE Directive**), is the main EU instrument regulating pollutant emissions from industrial installations and was entered into force on 6 January 2011 to be transposed by Member States by 7 January 2013. The IE Directive aims to reduce harmful industrial emissions, in particular, through better application of Best Available Techniques. Chapter III of the IE Directive on large combustion plants includes certain flexibility instruments (Transitional National Plan, limited lifetime derogation, etc.), namely regarding emission limit values for selected pollutants.

The IE Directive consolidates seven existing Directives and replaces them with a single clear and coherent legislative instrument. The directives that were consolidated include the then-existing Integrated Pollution Prevention and Control Directive, the Large Combustion Plant Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

With the revised EU ETS Directive (Directive (EU) 2018/410), some dispositions must be coordinated with Directive 2010/75/EU regarding the integration of a few changes – for instance, Member States shall take the necessary measures to ensure that, where installations carry out activities that are included in Annex I to Directive 2010/75/EU of the European Parliament and of the Council, the conditions and procedure for the issue of a GHG emissions permit are coordinated with those for the issue of a permit provided for in that Directive.

Directive (EU) 2015/2193 of the European Parliament and the Council, of 25 November (the **MCP Directive**), was triggered by the EC Clean Air Policy Package, adopted in December 2013, and regulates emissions of SO2, NOx and dust in the air from the combustion of fuels in plants with a rated thermal input equal to or greater than 1 MW and less than 50 MW. The MCP Directive entered into force on 18 December 2015 and had to be transposed by Member States by 19 December 2017. The emission limit values set in the MCP Directive will have to be applied from 20 December 2018 for new plants and by 2025 or 2030 for existing plants, depending on their size.

Regulation (EU) no. 517/2014 of the European Parliament and of the Council, of 16 April, on fluorinated greenhouse gases, aims to achieve the reduction of fluorinated-gases emissions by two-thirds by 2030. This regulation was followed by the allocation of quotas to companies selling hydrofluorocarbons in the EU, with a gradual phase-down until one-fifth of 2014 sales in 2030.

4. Other EU initiatives

New Gas Directive (The 2020 Gas Package)

The creation of an integrated gas market is a cornerstone of the EU's project to create an Energy Union. The internal gas market is considered to function well when gas can flow freely between Member States to where it is needed most and at a fair price. A functioning gas market is a prerequisite for enhancing security of gas supply in the EU.

While EU law in general applies in the territorial waters and the exclusive economic zone of EU Member States, Directive 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in natural gas (**Directive 2009/73/EC**) does not explicitly set out a legal framework for gas pipelines to and from third countries, which was now included in the proposed amendment to this Directive.

The amendment proposal to Directive 2009/73/EC sought to address the remaining obstacles to the completion of the internal market in natural gas resulting from the non-application of Union market rules to gas pipelines to and from third countries and to ensure that the rules applicable to gas transmission pipelines connecting

two or more Member States, are also applicable to pipelines to and from third countries within the EU. This would make the EU's legal framework more consistent, enhance transparency and ensure legal certainty for both investors in gas infrastructure and users of the network.

This amendment to the gas directive was proposed by the EC in November 2017, on 12 February 2019, an agreement was reached between the EC, Council and Parliament for the new Gas Directive, and, on 3 May 2019, Directive (EU) 2019/692 amending Directive 2009/73/EC, concerning common rules for the internal market in natural gas (**Directive 2019/692**), was published in the OJ.

EC Mobility Package

The EC's Mobility Package is a collection of 3 initiatives concerning the governance of commercial road transport in the EU. It represents the biggest change to EU road transport rules, covering many aspects of the industry's activities.

The Mobility Packages were released in three waves: the first wave in May 2017 (*Europe on the Move*), the second in November 2017 (*Clean mobility*) and the third in May 2018 (*Clean, safe and autonomous mobility*).

On 12 February 2019, the European Parliament and the Council reached a provisional agreement on the EC's proposal to reform the Clean Vehicles Directive, which is part of the Clean Mobility Package, aiming to help accelerate the transition to low and zero emission vehicles. Following this provisional agreement, Directive 2019/1161, of 20 June, was published in the OJ on 12 July 2019.

IBERIAN PENINSULA

MIBEL overview

Since 1 July 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single, integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in EU directives. This integrated market for Portugal and Spain is known as MIBEL. The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and in which all agents must comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates with an electricity spot market, which includes daily and intraday markets that are managed by Spanish market operator – Operador del Mercado Ibérico de Energía, Polo Español, S.A., (**OMIE**) – and an electricity forward market that is managed by the Portuguese market operator – Operador do Mercado Ibérico de Energia – Pólo Português, S.A. (**OMIP**).

Because the electricity spot market is a single and integrated market, prices are the same for Portugal and Spain, except for a residual number of hours during which there are congestions in the interconnection capacity and therefore a market split occurs.

PORTUGAL

Electricity Sector: Regulatory framework

1. Overview

Since 2000, the regulation of the electricity industry in Portugal has been subject to significant changes, such as the unbundling of the transmission network and the liberalisation of power generation and supply.

The main features of the current organisation of the Portuguese electricity system were first set out in EU Directive 2003/54/EC of the European Parliament and of the Council, of 26 June, concerning common rules for the internal market in electricity (the **Electricity Directive**), which was transposed into Portuguese national law by Decree-Law no. 29/2006, of 15 February, as amended. Decree-Law no. 172/2006, of 23 August, further modified by Decree-Law no. 76/2019, of 3 June, developed this legal framework and established rules for the activities in the electricity value chain (the **Electricity Framework**).

Following implementation of the Electricity Framework, the former organisation of the Portuguese electricity system was replaced by a single market system, and the generation and supply of electricity are now fully open to competition, subject to obtaining the requisite licences and approvals or simple registration in the case of the liberalised supply. However, the transmission and distribution components of the value chain continue to be regulated activities provided through the award of public concessions.

To further the integration of the European electricity markets, a new legislative package was adopted in 2009 by the European Parliament and European Council, comprising: (i) Directive 2009/72/EC of the European Parliament and of the Council, of 13 July, concerning common rules for the internal electricity market and replacing Directive 2003/54/EC (**Directive 2009/72/EC**); (ii) Regulation (EC) no. 713/2009 of the European Parliament and of the Council, of 13 July, establishing an Agency for the Cooperation of Energy Regulators; and (iii) Regulation (EC) no. 714/2009 of the European Parliament and of the Council, of 13 July, on conditions for access to the network for cross-border exchanges

in electricity. Regulation (EC) no. 713/2009 was last amended by Regulation (EC) no. 347/2013, of 17 April, which also amended Regulation (EC) no. 714/2009 has in the meantime been repealed by Regulation (EU) no. 2019/942 of the European Parliament and of the Council establishing an EU Agency for the Cooperation of Energy Regulators.

Directive 2009/72/EC was partially transposed into Portuguese national law by Decree-Law no. 78/2011, of 20 June, which amended Decree-Law no. 29/2006, and introduced changes to the Electricity Framework. The main impact is related to a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers. In 2012, the sector's framework laws were once more amended in order to complete the implementation of Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively.

Hence, under the amended Electricity Framework, the Portuguese electricity system is divided into six major activities: generation, storage, transmission, distribution, supply, and the logistic operations for switching between suppliers. Subject to certain exceptions, each of these functions must be operated independently, from a legal, organisational and/or decision-making standpoint.

Decree-Law no. 138/2014, of 15 September, introduced a legal framework to safeguard strategic assets essential to ensure national defence and security and to guarantee the supply of services fundamental to the public interest related to the energy, transport and communications sectors. Under the new legal framework, a change in EDP's control structure involving direct or indirect control by a person or persons from a country that is not a member of the EU or the EEA may be denied by the Portuguese government under certain circumstances if there are real and serious reasons to believe that national defence and security or the safety of energy supply are at risk.

2. The National Strategy for the Energy Sector

The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated pursuant to the National Strategy for the Energy Sector first established by Resolution of the Council of Ministers no. 169/2005, of 24 October, later replaced by Resolution of the Council of Ministers no. 29/2010, of 19 March.

Resolution of the Council of Ministers no. 20/2013, of 10 April, replaced the Resolution of the Council of Ministers no. 29/2010, of 19 March, and set two main policy plans for the energy sector, the National Plan of Action for Energy Efficiency 2013-2016 (the **PNAEE 2016**) and the National Plan of Action for Renewable Energies 2013-2020 (the **PNAER 2020**). These plans of action establish the means to comply with the international commitments assumed by Portugal in matters of energy efficiency and the use of renewable resources, without losing sight of the need to ensure adequate levels of energy prices, which do not harm the competitiveness of the Portuguese companies or the minimum living standards of the general population. PNAEE 2016 and PNAER 2020 focus primarily on the reduction of the country's energy dependence, the increase in the generation of electricity from RES and the promotion of energy efficiency and sustainable development, namely by: (i) ensuring the continuance of measures that guarantee the development of an energy model with sustainable energy costs; (ii) ensuring a substantial improvement in the country's energy efficiency; and (iii) reinforcing the diversification of primary energy sources, while re-evaluating the investments made in renewable technologies and presenting a new remuneration model for more efficient and prominent technologies.

The CEP, that includes a Regulation on the Governance of the Energy Union (Regulation (EU) 2018/1999), calls for each Member State to prepare a National Energy and Climate Plan (**PNEC 2030**) for the period 2021-2030, covering all the five dimensions of the Energy Union and taking into account the long-term perspective.

These PNECs are to be comparable throughout the EU and should include a description of the national objectives, targets and contributions for each of the dimensions, the policies and measures foreseen to meet them, and an assessment of the estimated impacts.

The Portuguese government delivered to the EC a preliminary PNEC in December 2018, which will replace PNAEE 2016 and PNAER 2020. On 28 January 2019, the Portuguese government presented PNEC 2030, that include ambitious targets, such as setting energy consumption from renewable resources at 47 per cent. by 2030, which implies duplicating installed capacity, and a reduction of GHG emissions from 45 per cent. to 55 per cent., compared to 2005. On 18 June 2019, the EC published a communication assessing the 28 draft PNECs as a whole, together with specific recommendations and a detailed "Staff Working Document" for each country, in order to help Member States, finalise their plans by the end of 2019, and to implement them effectively in the years to come. On 19 December 2019, the Council of Ministers approved the final version of PNEC 2030. PNEC 2030 set a 47 per cent. target of energy from renewable sources and a reduction of 35 per cent. in consumption of primary energy, focusing on the decarbonisation of the energy sector, taking into view carbon neutrality in 2050. On 4 December 2018, the Portuguese government presented its Roadmap to Carbon Neutrality (**RCN 2050**). One of the aims of RCN 2050 is decarbonisation and includes ambitious targets such as setting electricity generation from renewable sources at 80 per cent. in 2030 and 100 per

cent. in 2050. Recently, Resolution of the Council of Ministers no. 107/2019, of 1 July, approved RCN 2050, that establishes all the decarbonisation vectors and action lines for a carbon neutral society in 2050. The PNEC 2030 was globally approved on 19 December, 2019, and finally on 21 May 2020, as announced by the Council of Ministers on the same date. PNEC 2030 was published on the official gazette on 10 July 2020, in Resolution of the Council of Ministers no. 53/2020.

Resolution of the Council of Ministers no. 63/2020, of 30 July and published in the Portuguese official gazette on 14 August 2020, approved the National Strategy for Hydrogen, establishing the following green hydrogen goals to be met by 2030:

- 10 per cent. to 15 per cent. of green hydrogen injection into natural gas grids;
- 2 per cent. to 5 per cent. of green hydrogen in industry energy consumption;
- 1 per cent. to 5 per cent. of green hydrogen in road transportation energy consumption;
- 3 per cent. to 5 per cent. of green hydrogen in domestic maritime transportation energy consumption; and
- 1.5 per cent. to 2 per cent. of green hydrogen in final energy consumption.

This resolution also sets out a goal of 2 GW to 2.5 GW of installed capacity in electrolysers and the creation of 50 to 100 hydrogen charging stations by 2030.

Resolution of the Council of Ministers no. 98/2020, of 29 October 2020, published on the official gazette on 13 November, approved the Strategy Portugal 2030 (*Estratégia Portugal 2030*), a long-term, structural plan that seeks a broad political consensus aiming to set forth the foundations for social economic development for the next decade.

One of the main purposes of the plan is to assure the climate transition and resource sustainability being the goals for 2030:

- to reduce: (i) overall greenhouse gas emissions by a range of between 45 per cent. and 55 per cent.; and (ii) greenhouse emissions in the transport sector by 40 per cent., in both cases compared to 2005 levels;
- to increase the share of renewable energy in gross final energy consumption to 47 per cent.; and
- to reduce primary energy consumption by 35 per cent., and to half of the burnt area in order to increase carbon sequestration capacity.

Renewable Energy

Decree-Law no. 39/2013, of 18 March, as amended by Decree-Law no. 68-A/2015, of 30 April, set the national targets for the use of RES in gross final energy consumption and energy consumption in transport by 2020 (31 per cent. and 10 per cent., respectively), besides establishing a mechanism for issuing guarantees of origin for the electricity obtained from RES.

The abovementioned PNEC 2030 has set the targets for the use of RES in gross final energy consumption and energy consumption in transport by 2030: 47 per cent. and 20 per cent., respectively.

Emissions

Decree-Law no. 38/2013, of 15 March, as amended by Decree-Law no. 42-A/2016, of 12 August, transposed the Directive 2009/29/EC and established a new approach for licensing emission allowances with a transitional regime for the allocation of free allowances. This foresees the annual decrease of the percentage of free allocation to a 30 per cent. free allocation in 2020 and aims for its full elimination in 2027.

Decree-Law no. 10/2019, of 18 January, amended Decree-Law no. 38/2013, of 15 March, and partially transposed Directive (EU) 2018/410 of the European Parliament and of the Council, of 14 March, established new rules regarding the revenues allocation from auctions of GHG emissions allowances. This diploma determines that 60 per cent. of the revenues provided by the auctions of GHG emissions allowances shall be transferred to the National Electricity System in order to offset the special regime generation overcost each year, up to a limit of 100 per cent. of that overcost (which also includes the renewable portion of generation through renewable cogeneration plants). With this new methodology, a 60 per cent. floor of the revenues generated by the auctions is established, with the possibility that this percentage is higher, depending on the expected revenues and the actual revenues of the auctions. These revenues are deducted to the Global Use of the System Tariff (**UGS Tariff**) in order to relieve consumers and electricity bills. On 6 April, Decree-Law no. 12/2020 was published, which establishes the legal framework for European GHG emission allowance trading for the period 2021-2030, by transposing Directive (EU) 2018/410 of the European Parliament and of the Council, of 14 March 2018, amending Directive 2003/887/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814. This decree-law is applicable to fixed installations that carry out activities under the "Community's ETS", resulting in the emission of GHG. From 2021, the rules for adjusting the annual amounts of emission allowances to be allocated free of charge will be changed in order to

achieve a better alignment with annual production levels, taking into account both the relevant increases and decreases in production. In addition, for the first time in national legislation, the optional exclusion from the ETS of low emission installations (up to 25,000 tCO2eq, as notified to the Portuguese Environmental Agency), save for biomass plants, provided that they are subject to measures allowing an equivalent contribution of emission reductions, or very low emission installations (up to 2,500 tCO2eq), without any equivalent measure, is envisioned. Rules regarding the allocation of revenues obtained from auctions of GHG emission allowances are maintained in the same conditions. This diploma repeals Decree-Law no. 38/2013, of 15 March, and Decree-Law no. 10/2019, of 18 January, though certain provisions of the repealed laws shall remain in effect until 31 December 2020 or until the procedures initiated under Decree-Law no. 38/2013 are completed.

Ministerial Order no. 3-A/2014, enacted on 7 January and amended by Rectification no. 15/2014, of 6 March, established governance ground rules regarding the allocation of revenues provided by the auctioning of GHG emissions allowances, including the annual plan for the use of those revenues in close link and cooperation with the Environmental Fund ("*Fundo Ambiental*") (previously, the Portuguese Carbon Fund), created by Decree Law no. 42-A/2016, of 12 August, namely the amount used to offset the special regime generation overcost.

Decree-Law no. 127/2013, of 30 August, which implemented Directive 2010/75/EU into Portuguese national law, established an industrial emissions regime aiming for integrated prevention and control of pollution, as well as rules to prevent and reduce air, water and soil emissions and waste generation in order to achieve a high level of environmental protection.

Also, in relation to measures enacted to address climate change, Resolution of the Council of Ministers no. 56/2015, of 30 July (as amended by Rectification no. 41/2015, of 17 September), approved the Strategic Framework for Climate Policy, the Climate Change National Programme and the National Strategy for Climate Change Adjustment. This Resolution, among other things, also determined that Portugal must reduce its greenhouse gas emissions from 18 per cent. to 23 per cent. by 2020 and from 30 per cent. to 40 per cent. by 2030, both calculated on the basis of the 2005 levels. Recently, Resolution of the Council of Ministers no. 107/2019, of 1 July, that approves RCN 2050, adopting the commitment to achieve carbon neutrality in Portugal by 2050, which translates into a neutral balance between GHG emissions and carbon capture through land and forests use, also established the reduction of GHG emissions to Portugal between 85 per cent. and 90 per cent. by 2050 compared to 2005, and offsetting the remaining emissions through land use and forests, to be achieved through an emission reduction path between 45 per cent. and 55 per cent. by 2030, and between 65 per cent. and 75 per cent. by 2040, compared to 2005.

In January 2019, the main instrument of energy policy for the decade of 2021-2030, PNEC 2030 was presented. According to PNEC 2030, renewable energy sources should represent 47 per cent. of the national electricity consumption in 2030, with the provision of an increase of the installed capacity up to 28.8GW. In what concerns the emissions of air pollutants other than CO_2, Decree-Law no. 39/2018, of 11 June, transposes the MCP Directive into Portuguese national law, and establishes rules to control the emissions of SO2, NOx and dust resulting from the combustion of fuels in medium combustion plants. It also introduces changes on the environmental licensing procedure and the issuing of environmental permits.

Decree-Law no. 84/2018, of 23 October, which transposes Directive (EU) 2016/2284, of the European Parliament and of the Council, of 14 December, on the reduction of national emissions of certain atmospheric pollutants into Portuguese national law, sets national commitments for the reduction of anthropogenic atmospheric emissions of SO2, NOx, non-methane volatile organic compounds, ammonia and fine particulate matter, for 2020 and 2030, and requires a national air pollution control programme to be drawn up, adopted and implemented.

Energy Efficiency

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April, established indicative objectives and the institutional, financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity. In addition, it created the conditions for the development and promotion of an energy services market and of other measures to improve energy efficiency. This legislation, applicable, among others, to electricity distributors, suppliers and certain types of consumers, also sets out an indicative objective to achieve an energy economy of 9 per cent. by 2016. Such energy economy was to be reached through the use of energy services and through the improvement of energy efficiency. In 2015, Decree-Law no. 319/2009, of 3 November, was revoked by Decree-Law no. 68-A/2015, of 30 April (which transposed into Portuguese law Directive 2012/27/UE, of the European Parliament and of the Council, of 25 October 2012), save for certain provisions (as amended by Rectification no. 30-A/2015, of 26 June, **Decree-Law 68-A/2015**). The objective to achieve an energy economy of 9 per cent. was rescheduled to be achieved by 2020.

Decree-Law 68-A/2015 was recently amended by Decree-Law no. 64/2020, of 10 September, which, in turn, transposed into Portuguese law Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 (amending Directive 2012/27/UE of the European Parliament and of the Council, of 25 October 2012,

on energy efficiency), notably the obligations (i) to achieve, during the period 2021-2030, cumulative energy end-use savings of 0.8 per cent. per year and (ii) to achieve more stringent energy efficiency targets (which are outlined in the PNEC 2030).

Decree-Law no. 101-D/2020, published on 7 December, establishes the requirements applicable to buildings to improve their energy performance and regulates the Energy Certification System for Buildings, transposing Directive (EU) 2018/844 and partially Directive (EU) 2019/944.

The Clean Energy Package includes amendments to Directive 2010/31/ EU of the European Parliament and of the Council, of 19 May 2010, on the energy performance of buildings, which is now relevant for transposition into the national legal system. This Decree-Law also regulates the Energy Certification System for Buildings, partially transposes Directive 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources to the national legal order and proceeds with the second amendment to Decree-Law 68-A/2015, amended by Decree-Law no. 64/2020, of 10 September.

3. The Electricity Value Chain

A. Electricity Generation

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime.

The special regime covers: (i) the generation of electricity subject to a specific legal framework (namely in what concerns licensing and tariffs), such as electricity generation through cogeneration (renewable or non-renewable) or endogenous resources (e.g. wind, solar, biomass, biogas), small scale generation and generation without network injection; and (ii) the generation of electricity using endogenous resources, either renewable or non-renewable, which is not subject to a specific legal framework and, thus, falls under the general framework applicable to the special regime generation (namely in what concerns licensing and tariffs). All the remaining generation units which fall outside the scope of these criteria are included in the ordinary regime generation.

Ordinary Regime

Overview

Prior to 1 July 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 per cent. in real pre-tax terms. The price of electricity provided for in each PPA consisted of capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and operation and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007, resulting in the approval of the CMEC mechanism. These laws provide for changing the single buyer status of REN and defining compensatory measures concerning stranded costs for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the UGS Tariff. The market reference price for the calculation of the compensation payable to the generators was set at €50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção and REN on 27 January 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated on 1 July 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs was set at €833.5 million, to be recovered over a 20-year period, starting from July 2007. The amount of compensation is capped at a maximum set for each generator and was subject to an annual adjustment during the first ten years of the CMEC, along with a final adjustment at the end of the first ten-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on the assumptions underlying the initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the first ten-year period.

The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela Fixa" (fixed charge), and recovered by EDP Produção or its assignees. Ministerial Order no. 85-A/2013, of 27 February, set at 4.72 per cent. the interest rate applicable to the "Parcela Fixa" between 1 January 2013 and 31 December 2027.

The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção's benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as "Parcela de Acerto" (variable charge). Dispatch no. 4694/2014, of 21 February, published on 1 April, and Dispatch no. 10840/2016, of 26 August and published on 5 September, set out the guidelines

of the procedures to be followed in the calculation of the annual adjustment regarding the participation of the CMEC power plants in the ancillary services market.

The final adjustment is meant to be recovered over a ten-year period, starting in 2018, with reference to July 2017. In this regard, the 2017 state budget law (Law no. 42/2016, of 28 December) mandated ERSE to carry out a study to determine the amount of the final adjustment of the CMEC mechanism. ERSE submitted its study to the Portuguese government in September 2017, having presented an amount of €154 million, which differs from the sum calculated by the EDP/REN Technical Working Group, which amounted to €256 million. The EDP/REN Technical Working Group calculations result from the strict application of the relevant legal framework, particularly the Decree-Law no. 240/2004, while ERSE's computations are a mere theoretical simulation which jeopardises the economic neutrality in which the early termination of the PPAs was based upon. EDP was notified on 3 May 2018 of the Portuguese government's decision, dated 25 April 2018, homologating the amount of the final adjustment of the CMEC mechanism as proposed by ERSE in its study. EDP has on 3 September 2018 filed a suit with the administrative courts of Lisbon (Tribunal Administrativo do Círculo de Lisboa) to challenge the amount of the final adjustment of the CMEC mechanism homologated by the Portuguese government.

On 27 September 2018, EDP informed the market that it was notified by the DGEG (as defined below) of the Secretary of State for Energy's decision, issued on 29 August 2018, regarding alleged overcompensation payments made to EDP in relation to the calculation of the real availability factor of power plants under the CMEC regime due to "innovative" factor having been applied when compared to what was foreseen in the PPA early termination agreements. The Secretary of State for Energy stated such alleged overcompensation payments amounted to €285 million and that a further €72.9 million overcompensation claim for power plants operating on the ancillary services market was under analysis. EDP considers the decision to be unfounded and intends to take the necessary measures to protect its rights and interests, including all legal means available.

On 4 October 2018, the Secretary of State for Energy issued a further dispatch, which was made known to EDP by ERSE on 12 November 2018, declaring the calculation of the annual adjustments to the initial global gross compensation for the early termination of the PPAs null and void concerning only the part where the abovementioned "innovative" factor had been weighed.

EDP considers the dispatches from the Secretary of State for Energy lack technical, economic and legal basis and, on 8 October 2018, submitted an administrative appeal. Concurrently, EDP filed a suit with the administrative courts on 4 February 2019, waiting for a court decision.

In addition, Resolution of the Portuguese parliament no. 126/2018, of 11 May, created a Parliamentary Inquiry Commission (**CPI**) to ascertain, within 120 days, whether there are excessive rents in the electricity generation sector, namely in the remuneration of both the ordinary regime (CMEC, PPAs, capacity payments) and the special regime generators, and, if so, establish any responsibility of political officeholders who had influence over the definition of the energy rents. A preliminary version of the Report was submitted for the analysis of the CPI on 6 April 2019. On 15 May 2019, CPI held its last meeting to discuss and approve its final Report. At that meeting, the CPI globally approved the final Report with votes in favour by the Socialist Party (*Partido Socialista*), Left Block Party (Bloco de Esquerda), the Portuguese Communist Party (*Partido Comunista Português*) and Ecological Green Party (*Partido Ecologista "Os Verdes"*) and votes against by the Social Democratic Party (*Partido Social Democrata*) and CDS - Popular Party (*CDS – Partido Popular*). Most of the conclusions and recommendations stated in the preliminary version were kept in the Final Report. On 3 July 2019, the Final Report of CPI was discussed in a Parliament Plenary session. The discussion in the Parliament Plenary formally closes the work that CPI developed for over a year. Although the conclusions and recommendations included in the Final Report are not formally binding, in light of the approved Report the Parliament and/or the Portuguese government may approve legislation or other future measures in relation to the National Electricity System, the potential effects of which on EDP and/or its activities cannot be anticipated at this stage.

Resolution of the Portuguese parliament no. 83/2021, of 19 March 2021, recommends to the Portuguese government to create, within no more than 90 days, a scheduled plan for the implementation of the recommendations foreseen in the final report of the CPI. Since this diploma is a resolution, it is not binding for the Portuguese government who may not implement it. In the CPI, the current Secretary of State of Energy underlined that in his opinion the overcompensation payments in relation to the ancillary services market was not an innovative feature issue but rather a competition issue that was being handled by the Portuguese Competition Authority (**AdC**). The AdC's investigation ultimately led to a fine in the amount of €48,000,000.00 on EDP Produção for abuse of dominance in the Portuguese market for secondary balancing reserve. EDP refutes the AdC's assertions and on 30 October 2019 filed an appeal regarding the latter's decision with the Portuguese Court for Competition, Regulation and Supervision. Regarding the fine, EDP also disputed its upfront payment and asked the court to allow for its non-payment or replace the fine by a bank guarantee whilst a final decision by the Court is not issued. EDP argued that the €48,000,000.00 fine (paid prior to the court ruling) would cause considerable harm.

On 16 July 2020, EDP was notified of a court order acknowledging the risk of considerable harm and staying the payment of the fine until the court's final ruling on the matter. The trial will commence in 2021 and the first witness hearings are scheduled to take place during September 2021.

On top of the €48 million fine referred to above, that was challenged by EDP, upon request of the Energy Secretary of State, the Advisory Board of the Public Prosecutor's office issued an opinion, published on 22 October 2020, stating that the Portuguese state could charge an additional amount of €72.9 million, as a compensation to consumers affected by the CMEC alleged overcompensation. According to the electricity tariffs for 2021, this amount is now to be deducted from the total amount EDP provisionally received regarding the 2015 CMEC annual adjustment. This means that, instead of the €135.6 million (2015 provisional CMEC annual adjustment), the Energy Secretary of State has homologated a net amount of €62.7 million. EDP will also challenge the decision to charge the amount of €72.9 million in relation to the 2015 CMEC annual adjustment.

In September 2013, the EC opened a formal investigation into the extension of the hydro power concessions granted by the Portuguese government to EDP in accordance with Decree-Law no. 226-A/2007, of 31 May, as amended by laws no. 17/2014 of 10 April, no. 12/2018, of 2 March and Decree-Law no. 97/2018, of 27 November. During the formal investigation, the Commission verified that the compensation paid by EDP for the mentioned extension was in line with market conditions. On this basis, the Commission issued a press release on 15 May 2017 stating that it had concluded that the compensation paid by EDP for the extension of the concessions did not involve state aid. As a result, EDP has retained the rights to operate 26 hydro power plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047. This decision does not address compliance with other provisions of EU law, such as EU public procurement rules and antitrust rules based on Articles 106 and 102 of the TFEU. According to the EC's press release of 7 March 2019, the EC considers that the legislation and the practice of Portuguese authorities is contrary to EU law, by allowing for some hydropower concessions to be renewed or extended without the of use tender procedures. For that reason, the EC sent a letter of formal notice to the Portuguese Republic – as well as seven other Member States– on the grounds of an alleged breach of EU rules on public procurement and concessions, to ensure that public contracts in the hydroelectric power sector are awarded and renewed in conformity with EU law. The eight Member States were given two months to respond to the arguments raised by the Commission.

Dispatch no. 5443/2017, of 6 June, published on 22 June, created a working group to determine the rights over the Hydrological Correction Account (**CCH**) following the termination of the account as of 31 December 2016, as provided for by Decree-Law no. 110/2010, of 14 October. This working group was dissolved pursuant to Dispatch no. 11246/2017, of 13 December, published on 22 December. Afterwards, the Secretary of State for Energy created a new working group with the same stated purpose by means of Dispatch no. 2224/2018, of 27 February, published on 5 March. This working group presented the Final Report to the Portuguese government at the end of August of 2018, in which it concluded that the charges supported by EDP for this purpose should be unrecoverable.

On 21 May 2019, EDP presented a request to the State Prosecution, Ministry of Finance and Portuguese Treasury and Debt Management Agency (IGCP, E.P.E.), requesting compensation of €546 million, under the terms of paragraph (e) of article 3(2) of Decree-Law no. 453/88, of 13 December (as in force prior to the enactment of Law no. 75-A/2014, of 30 September). This amount corresponds to the impact of error or inaccuracy that could be committed in the evaluations that preceded the various reprivatisation stages of EDP, regarding the responsibility arising from the hydrological correction.

Those responsibilities were not effectively considered for the evaluation process of EDP (as a liability deductible for the determination of its asset value). However, the report produced by the working group created by Dispatch no. 2224/2018, of 5 March, of the Secretary of State for Energy, to analyse the impact of the termination of the CCH concluded that the charges supported by EDP for this purpose were unrecoverable.

For this reason, and with respect to the conclusion presented in this report, EDP understands that in accordance with paragraph (e) of article 3(2) of Decree-Law no. 453/88, of 13 December, the Portuguese state should assume as an expense the amount of impact of error or inaccuracy in the mentioned evaluations.

In parallel with the process concerning the rights over the CCH, Dispatch no. 2258/2017, of 6 February, published on 15 March, created a different working group to study the hydrological impacts in terms of the stability of the wholesale electricity prices. This working group was expected to deliver a Report, to the Portuguese government, by the end of March 2017, with a focus on the review and implementation of the hydrological mechanism, taking into account principles of harmonisation within the Iberian Peninsula, chiefly considering the need to implement mechanisms to limit the remuneration of hydroelectric energy. However, no information has ever been made public regarding the presentation of any report concerning this matter.

Capacity remuneration mechanism

Ministerial Order no. 41/2017, of 27 January, replaced the former capacity remuneration mechanism, based on a targeted capacity payment scheme, with a market mechanism that remunerates the availability services through a competitive auction, as of 1 January 2017. The power plants that benefit from the CMEC mechanism have been

excluded from taking part in the auction. The auction for 2017 was carried out on 30 March and the total bid size (1,766 MW) was awarded to three entities, including the last resort supplier, at a settlement price of €4.775 per MW. In compliance with the 2018 state budget law (Law no. 114/2017, of 29 December), Ministerial Order no. 93/2018, of 3 April, postponed the auction for 2018 and beyond, awaiting a decision by the EC, that raised concerns about the compatibility of this mechanism with the guidelines on state aid for environmental protection and energy.

Alongside, hydro power plants that are not under a PPA or under the CMEC mechanism, with the exception of power reinforcements without pumping, may benefit from an investment incentive under Ministerial Order no. 251/2012, of 20 August, provided that its generation licenses were granted between the dates of entry into force of Decree-Law no. 264/2007, of 24 July, and of Ministerial Order no. 251/2012, of 20 August, or that such power plants are included in the Portuguese National Programme of Dams with a Significant Hydroelectric Potential and the relevant generation license was obtained before 31 December 2013. If granted, the investment incentive shall take effect for a period of ten years, starting from the month following the request for eligibility, in an amount calculated based on the current criteria for national supply coverage set out in Ministerial Order no. 251/2012 and related regulations. The annual reference values of the investment incentive correspond to the amounts set out in the Annex to Ministerial Order no. 251/2012, of 20 August.

Ministerial Order no. 233/2020 was published on 2 October 2020, which revokes the Ministerial Order no. 251/2012 of 20 August, that established the methodology for the capacity remuneration mechanism. Thus, the investment incentive mechanism (applied only to hydro power plants) is revoked (the availability incentive regime was already suspended).

Ministerial Order no. 233/2020, also established a transitional regime, which established that no investment incentives concerning 2020 are to be paid. However, investment incentives for power plants that have obtained recognition of eligibility during the year 2020 are to be paid until 2021.

On 30 October 2020, Ministerial Order no. 233/2020 was amended by the Rectification no. 42/2020, which excludes from the scope of the revocation the exchanges where this incentive is contractually assured, maintaining the provisions the Ministerial Order no. 251/2012 in force. The practical effect of this change will be to maintain the investment incentive in three hydro power plants belonging to another agent, which are under construction and should start operating between 2021 and 2023, based on the concession agreement signed between that agent and the Portuguese state.

Competition Balance Mechanism (Clawback)

Decree-Law no. 74/2013, of 4 June, as amended by Decree-Law no. 104/2019, of 9 August, provides for the establishment of a mechanism designed to restore the competitive equilibrium in the wholesale electricity market in Portugal, with an impact on the allocation of costs of general economic interest (**CIEG**) between participants in the electricity system. Its purpose is to capture the alleged windfall profits reaped by the Portuguese generators caused by higher pool prices following the introduction of taxes on Spanish generators.

This mechanism shall apply to: i) ordinary regime generators, except to the ones operating power plants that are still trading electricity under a PPA that has been executed according to Decree-Law no. 183/95, of 27 July; ii) generators operating hydroelectric power plants with an installed capacity equal or higher than 10 MVA; and iii) generators that do not benefit from a guaranteed remuneration scheme, except the ones under the obligation to pay compensations to the National Electric System in the context of a competitive procedure launched under the terms of article 5-B of Decree-Law no. 172/2006, of 23 August, as well as generators operating power plants with an installed power lower than 5 MW.

Pursuant to the enactment of Decree-Law no. 104/2019, of 9 August, a payment per account is now possible, applied to the electric energy producers which are covered by the competition balance mechanism. The payment per account's value may be established yearly by an order of the member of the government responsible for the energy area.

The same government member shall decide the amounts to be invoiced to the electric energy producers due to the competition balance mechanism, based on the results of a study carried out annually by ERSE, which should take into consideration the effects of capacity remuneration mechanisms and other policies related to security of supply that are in place in other Member States.

Additionally, in terms of tariff repercussions, the prices of tariff terms (unit clawback) to be applied to the electricity injected into the grid (defined annually) may be differentiated by technology/regime of electricity generation.

Decree-Law no. 74/2013, of 4 June was further complemented with the publication of the Ministerial Order no. 288/2013, of 20 September, amended by Ministerial Order no. 225/2015, of 30 July, which established procedures to study the impact on pool prices of off-market measures and events registered within the EU and the redistributive effects impacting electricity tariffs. It also established the partitioning of CIEG to be paid by generators in the ordinary

regime and other generators that are not included in the guaranteed remuneration regime, and the deduction of these amounts of CIEG to be recovered by the UGS Tariff.

One of the events that motivated the enactment of such decree-law was the imposition of tax measures over power plants located in Spain, which impacted the prices in the Iberian market and the profits of Portuguese power plants. However, Royal Decree-Law no. 15/2018, of 5 October, suspended the generation tax (7.0 per cent.) on Spanish electricity generators for a period of six months, from the beginning of October 2018 to the end of March 2019, which corresponded to the suspension of all off-market measures and events verified within the EU in the context of Decree-Law no. 74/2013.

Following the suspension of such taxes, Law no. 71/2018, of 31 December, which approved the state budget for 2019, established that the Portuguese government should "*by the end of the first quarter of 2019, review the regulatory mechanism to ensure the fair competition in the wholesale electricity market in Portugal, established under Decree-Law 74/2013 of 4 June, adapting it to the new rules of the Iberian Electricity Market, with the aim of creating coordinated regulatory mechanisms that strengthen competition and protection of consumers.*"

Following this, the Secretary of State issued Dispatch no. 895/2019, published on 23 January, acknowledging the suspension, for a 6-month period from 1 October 2018, of measures with tax impacts over power plants in Spain and thus determining that the unit value of the parameter that reflects the impact of off-market measures and events registered within the EU, and which is included in the mathematical formula used to calculate the amount to be paid by generators under the terms of Decree-Law no. 74/2013, is zero.

In 2017, the publication of Dispatch no. 9955/2017, of 31 October, forbade the consideration of the Social Tariff and CESE as national off-market events in evaluating the net competitive advantage of Portuguese generators (as set by Decree-Law no. 74/2013), thus supposedly artificially increasing the amount of net windfall profits to be returned by EDP Produção. Furthermore, Dispatch no. 9371/2017, of 10 October, determined the retroactive refund of the amounts related to the allegedly illegal passing of the Social Tariff and CESE costs to consumers in 2016 and 2017. EDP Produção decided to take legal action against the latter Dispatches.

Pursuant to the enactment of Decree-Law no. 104/2019, of 9 August, which amended Decree-Law no.74/2013, of 4 June, Ministerial Order no. 288/2013, of 20 September was revoked by Ministerial Order no. 282/2019, of 30 August, which established the procedure for the elaboration of ERSE's annual study, as well as the mechanism to determine the amount of the payment per account and the compensation due by generators that had unexpected benefits as a result of off-market events.

Dispatch no. 8521/2019, published on 26 September, defined the unit value for the 2019 payment on account: €2.71/MWh for coal power plants and €4.18/MWh for the remaining technologies under Decree-Law no. 104/2019, of 9 August.

Based on the amendments introduced by Decree-Law no. 104/2019, of 9 August and on the provisions of Dispatch no. 8521/2019, of 6 September and published on 26 September, there are three applicable values for 2019 (which are also considered in ERSE's 2020 tariff proposal): (i) 1 January – 31 March: €0/MWh (the mechanism was suspended); (ii) 1 April – 26 September: €4.75/MWh (as Decree Law no. 104/2019 set the application of unit value defined in 2017); and (iii) 27 September – 31 December: €4.18/MWh (€2.71/MWh for coal power plants), according to Dispatch no. 8521/2019.

The payment on account may be subject to a possible adjustment, following the study to be conducted by ERSE (in 2020) regarding impacts from off-market events. Following the enactment of Ministerial Order no. 282/2019, of 30 August 2019, ERSE should conduct the study regarding the previous year, by 30 April of each year, considering the off-market events defined by an Order of the Government, to be published by 31 December of the year preceding the study. The study results are submitted for Portuguese governmental approval and will be the base to adjust the clawback amounts paid in the previous year.

Dispatch no. 12424-A/2019, published on 27 December 2019, identifies off-market events to be considered in the study prepared by ERSE in 2020 (with reference to 2019). Therefore, the following off-market events are considered: (i) Taxation on oil and energy products used in the generation of electricity (**ISP**); (ii) extraordinary contribution to the energy sector (**CESE**); and (iii) electricity social tariff.

On 20 March 2020, ERSE's Directive 4/2020, approved on 6 March 2020 was published, revoking the previous Directive 15/2016 and approving the operational rules which apply between the TSO and the generation under the scope of application of Decree-Law 74/2013 (with the latest changes provided by the Decree-Law 104/2019). This Directive confirms that unit values are applied to generation deducting pumping on a monthly basis, and it applies to each imbalance area.

On 22 June 2020, Dispatch no. 6740/2020, established the provisional value for 2020. The provisional clawback for special regime generators (**PRE**) is set at 2.24 €/MWh.

On 22 October, Dispatch no. 10177/2020, established the final compensation of the clawback mechanism for the year 2019, considering the ISP regime as the only off-market event, thus, determining a value of 2.24 €/MWh for hydro power plants, gas and PRE in the market, and 0.68 €/MWh for coal power plants. However, this Dispatch is in contradiction with the provisions of Dispatch no. 12424-A/2019, which determined that ISP, CESE and the social tariff are off-market events to be considered in the study prepared by ERSE in 2020 (with reference to 2019).

On 25 June 2021, the Spanish legislator, as part of the adoption of urgent measures in the field of energy taxation due to the high prices verified in MIBEL in recent months, published Royal Decree-Law 21/2021, where it suspended, among others, the 7 per cent. tax on electricity production, approved in 2012, for a period between 1 July and 30 September 2021 (three months). Following the temporary suspension of the tax on electricity generation in Spain, the Secretary of State for Energy Affairs approved Dispatch no. 6398-A/2021, of 29 June, which established the parameter used to determine the amount to be paid by the generators is null during the 3-month period (from 1 July 2021).

Special Regime

Overview

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources are primarily governed by Decree-Law no. 172/2006, of 23 August, amended with the entry into force of Decree-Law no. 215-B/2012, of 8 October, and further modified by Law no. 7-A/2016, of 30 March, Decree-Law no. 38/2017, of 31 March, Decree-Law no. 152-B/2017, of 11 December, Law no. 114/2017, of 29 December and Decree-Law no. 76/2019, of 3 June. Special regime generation is also governed by Decree-Law no. 29/2006, of 15 February, which sets out the principles for the organisation and functioning of the Portuguese Electricity System. According to recent statements from the Secretary of State for Energy affairs, Decree-Law no. 172/2006 is expected to be amended during 2021.

Since the enactment of Decree-Law no. 215-B/2012, special regime generation is no longer distinguished from the ordinary regime generation solely because it benefits from specific remuneration schemes under pro-investment policies. Indeed, as laid down in article 33-G of Decree-Law no. 172/2006, as amended by said Decree-Law, the special regime generators are remunerated either through market schemes (general regime) or through guaranteed remuneration schemes.

Decree-Law no. 76/2019, which entered into force on 4 June 2019, has rearranged the systematic organisation of Decree-Law no. 172/2006: even though there is still a distinction between special regime generation and ordinary regime generation, the corresponding licensing procedures are no longer separated.

Pursuant to article 55 of Decree-Law no. 172/2006, the supplier of last resort has the obligation of acquiring the special regime generated power that benefits from specific remuneration schemes, which are largely based on a feed-in tariff business model, paying special regime generators a feed-in tariff that depends on their generation technology and the contractual conditions under which their licencing request was submitted.

Conversely, generators that do not benefit from a feed-in tariff must sell the generated energy in the organised electricity markets (along with the provision of balancing services) or through bilateral agreements. To facilitate energy trading by these generators, Decree-Law no. 215-B/2012 foresaw the creation of a Market Facilitator/Aggregator, to be selected under a public tender procedure, to receive and trade the energy of the special regime generators operating under market rules. However, the Market Facilitator/Aggregator is still to be appointed. As such, until the appointment of the Market Facilitator, SU Eletricidade, in its capacity as supplier of last resort, must purchase the electricity generated by special regime generation power plants with an injection power no higher than 1 MW operating under the general regime, if such plants so request, at a price calculated through a mathematical expression set out by Decree-Law no. 76/2019.

ERSE Directive no. 5/2021, of 24 February 2021, approves the definition of the charge's parameter borne by producers under the PRE regime within the scope of the transitional rule of article 8 of Decree-Law no. 76/2019. Article 239 of Law 71/2018, of 31 December, which approved the state budget for 2019, foresaw the approval by the Portuguese government of a special regime of electricity suppliers, who shall act as market aggregators, at a national or local level, and be bound to acquire the electricity generated under the special regime under market conditions (i.e. without a feed-in tariff). This activity shall be subject to a licence attributed following a public tender.

Furthermore, the referred Decree-Law 215-B/2012 announced the development of a guarantee of origin (**GO**) scheme, to allow an additional payment to the electricity sold by special regime generators, which was later regulated by Decree-Law no. 39/2013, of 18 March, which amended Decree-Law no. 141/2010, of 31 December.

Given the absence of any developments regarding this subject, the Portuguese government committed to take the necessary measures to assure the creation of the manual of procedures by the issuing entity and its approval by DGEG in the 2019 state budget law. REN is the entity which is currently responsible for the issuing of the GO scheme. On 8 October 2019, Dispatch no. 8965/2019 was published. This dispatch sets the need to both implement a mechanism able to register and issue GOs, and a mechanism to trade those GOs in a secondary market. This dispatch

further establishes that REN should coordinate the platform's interoperability with secondary market operators and should ensure the exchange of information with other operators (namely with any potential operator responsible for GO trades in secondary market). On 8 October 2019, after a public consultation, the procedures manual was approved by REN, in its capacity as issuing body for guarantees of origin (**EEGO**). On 11 February 2020, REN received approval by the DGEG regarding the documents required to start the GO scheme, namely the EEGO's procedures manual. The tariffs applicable to the services provided by the EEGO was published through the Ministerial Order no. 53/2020, of 28 February.

On 13 May 2020, DGEG released an announcement on the registration of renewable energy generators with the electronic platform (available at https://eego.ren.pt) for the issuance of GOs. According to such announcement, the following generation units must be registered with EEGO's platform until 30 June 2020 (such deadline having been subsequently extended to 31 July 2020 and again to 31 August 2020, pursuant to DGEG notices of 29 June 2020 and 30 July 2020, respectively):

- renewable energy power plants;
- power plants for heating and cooling; and
- efficient and highly efficient cogeneration power plants.

When applicable, the payment of the feed-in tariff to the abovementioned power plants may be suspended until all GOs have been delivered to DGEG (in the case of renewable energy power plants benefitting from such feed-in tariff) or the supplier of last resort (in respect of other power plants receiving a guaranteed remuneration or component thereof).

On 19 June 2020, REN concluded the process of joining the Association of Issuing Bodies' (**AIB**) platform, which enables Portuguese producers to export GO from 1 August 2020 onwards, the date when the AIB and EEGO systems will be fully connected.

Decree-Law no. 60/2020, of 17 August, amending Decree-Law no. 141/2010, of 31 December, has adapted the GO scheme to also include gases of low carbon emission and renewable gas, as well as energy generated from heating and cooling renewable sources. This decree-law contributes to achieving carbon neutrality by 2050 through the creation of mechanisms that encourage the use of renewable resources, notably through the energy sector.

On 5 July 2021, and in accordance with article 9 Decree-Law no. 60/2020, Dispatch no. 6560-B/2021, of 5 July was published, that operationalises GO auctions of renewable energy power plants benefitting from guaranteed remuneration.

Licenses

The licensing regime applicable to power plants included in the special regime generation is mainly governed by Decree-Law no. 172/2006, of 23 August, as amended.

Pursuant to the enactment of Decree-Law no. 76/2019, of 3 June, power plants licensed after its date of entry into force are either subject to the attainment of generation and operation licenses or to a previous registration and to the attainment of an operation certificate, in case of renewable energy projects based on one single generation technology with a maximum installed capacity of 1 MW with the purpose of selling all electricity generated to the grid. Licensing procedures initiated prior to the entry into force of Decree-Law no. 76/2019 without prior grid capacity reservation are suspended until the corresponding generation license is obtained.

The attainment of a generation license depends on the prior reservation of grid capacity, by means of: (i) a permit issued by the relevant system operator; (ii) an agreement entered into by and between the applicant and the relevant system operator, whereby the former undertakes to pay the costs with the grid's construction or reinforcement; or (iii) a permit issued by the relevant system operator under the terms established by the corresponding competitive procedure.

Reservation of grid capacity depends on the provision of a bond by the applicant to guarantee that it obtains the relevant generation license. The amount varies according to the procedure and the reservation title that has been obtained.

After obtaining the grid capacity reservation permit or agreement, the applicant shall initiate the procedure to obtain the corresponding generation license. Neither the grid capacity reservation permit nor the corresponding generation licence may be transferred before the relevant operation licence has been obtained.

Without prejudice to the guaranteed remuneration foreseen in specific regimes, special regime generation may benefit from a guaranteed remuneration regime, which shall be granted: (i) in the context of a competitive procedure to new power plants; or (ii) to power plants with an installed power up to 1 MW; or (iii) in case of overpowering or to generation units that are installed within a pre-existing power plant and use a different primary energy source.

Tariffs

Decree-Law no. 189/88, of 27 May, and the amendments thereto, including Decree-Law no. 313/95, of 24 November, Decree-Law no. 168/99, of 18 May, Decree-Law no. 312/2001, of 10 December, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33-A/2005, of 16 February, Decree-Law no. 225/2007, of 31 May and Decree-Law no. 35/2013, of 28 February, set out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydro power plants) that initiated their licensing procedure prior to the entering into force of Decree-Law no. 215-B/2012, of 8 October.

As a consequence of the entry into force of Decree-Law no. 215-B/2012, of 8 October, the licencing of any new renewable energy project (with the exception of large hydro power plants) must be obtained under general market rules or under a tender procedure that grants the right to benefit from a guaranteed remuneration scheme. As previously mentioned, pursuant to Decree-Law no. 172/2006, of 23 August, as amended by Decree-Law no. 76/2019, of 3 June, new projects may only benefit from a feed-in tariff (or other type of guaranteed remuneration scheme) if it is granted (i) in the context of a competitive procedure; (ii) to power plants with an installed power up to 1 MW; or (iii) in case of overpowering or to generation units that are installed within a pre-existing power plant and use a different primary energy source.

Pursuant to Ministerial Order no. 69/2017, of 16 February, the last resort supplier is under the obligation to deduct the amounts received by generators that benefited from guaranteed remuneration along with other public incentives destined to promote and develop renewable energy. In order to do so, the former Secretary of State for Energy was supposed to approve a dispatch, on a proposal from the Direção-Geral de Energia e Geologia (**DGEG**), identifying the amounts due by each power plant and its respective unit value, which has not yet occurred. For the time being there are no new developments to report, it being unclear what to expect in the foreseeable future.

Wind farms optional regime

Wind farms licensed before the entry into force of Decree-Law no. 33-A/2005, of 16 February, are remunerated in accordance with the formula defined in Schedule II of Decree-Law no. 189/88, of 27 May, as amended by Decree-Law no. 339-C/2001, of 29 December.

With the publication of Decree-Law no. 35/2013, of 28 February, a new remuneration regime came into force for wind farms licensed before the entry into force of Decree-Law no. 215-B/2012, of 8 October (i.e. 7 November 2012). Consequently:

(i) wind farms that were already in operation as of 17 February 2005, sell their electricity at a set tariff, that decreases with the cumulative number of operating hours, for a period of 15 years starting from the entry into force of Decree-Law no. 33-A/2005;

(ii) wind farms for which the licensing procedures fall under the transitory regime approved by article 4 of Decree-Law no. 33-A/2005, sell their electricity at a set price, dependent on their generation profile, for a period of 15 years starting from the date the operation licence was granted; and

(iii) wind farms for which the licensing procedures began after 17 February 2005 and which do not fall under the transitory regime approved by Decree-Law no. 33-A/2005 sell up to 33 GWh per MW of installed capacity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a maximum period of 15 years starting from the date the operation licence is granted. After this 15-year period has elapsed or, if earlier, when the 33 GWh per MW of installed capacity limit is reached, the electricity produced is sold at the prevailing market price, in addition of the price received for the sale of Green Certificates, if applicable.

Furthermore, the publication of Decree-Law no. 35/2013, of 28 February, establishes an alternative remuneration regime, which allows generators to reduce their exposure to market risk, once the period of the initial remuneration regime has expired, by paying an annual compensation to the National Electricity System.

On 10 August 2020, DGEG published Dispatch no. 41/DGEG/2020, of 7 August, setting out the transition rules applicable to wind farms under the regime of Decree-Law no. 35/2013 and which entry into operation was carried out in separate phases.

EDP Renováveis chose to pay €5,800 per MW of installed capacity between 2013 and 2020, to benefit from the alternative remuneration regime, which consists of selling all electricity generated at a set price, corresponding to the average market price of the previous twelve months, subject to a floor of €74/MWh and a cap of €98/MWh, for a period of seven years upon the conclusion of the initial 15-year term.

On 25 June 2021, Dispatch no. 6304/2021, established the regularisation of the compensations made between 2013 and 2020 and the remunerations due to the wind farms covered by Decree-Law no. 35/2013 (new methodology is established). The Portuguese government announced that the impact of this new methodology could benefit the

Portuguese consumers between €165 million and €372 million. This dispatch also foresees that ERSE should operationalise this methodology and adjustments.

On 7 April 2015, Ministerial Order no. 102/2015 was published, which established the procedures for the placement of additional energy and for the repowering of wind farms (i.e., increasing the number of wind turbines in existing wind farms) on the terms established by Decree-Law no. 94/2014, of 24 June. The main measures introduced by this legislation were: (i) the energy produced by repowering wind farms is remunerated at a fixed rate of €60/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at €60/MW; and (iii) the repowering of wind farms is recognised as an independent generator, Ministerial Order no. 102/2015 has been amended by Ministerial Order no. 246/2018, of 3 September, which establishes that DGEG must always consult with ERSE prior to authorising a repowering of wind farms to consider the impact on the public interest and on consumer interests. In addition, Dispatch no. 7087/2017, of 1 August, established that, in the context of a repowering authorisation procedure, DGEG must consult with ERSE on the impacts of the repowering's feed-in tariff on the National Electricity System. This consultation was later included on Ministerial Order no. 102/2015, of 7 April through the enactment of Ministerial Order no. 246/2018, of 3 September, later amended by Ministerial Order no. 43/2019, of 31 January.

Nevertheless, Ministerial Order no. 43/2019, of 31 January, has further determined that ERSE's consultation shall be dismissed if the applicant explicitly accepts that the feed-in tariff applicable to the energy generated in connection with the wind farm repowering is € 45/MWh (instead of € 60/MWh, as established by Decree-Law no. 94/2014, of 24 June), which, in accordance with ERSE' study, is likely to avoid the adverse impacts of such feed-in tariff to the public and the consumer's interests. In this case, this tariff is awarded for a period of 15 years, after which the energy remuneration is carried out in accordance with the general regime, and cannot be included in the additional period and respective remuneration regime foreseen in the Decree-Law no. 35/2013.

Ministerial Order no. 102/2015, of 7 April, was last amended by Ministerial Order no. 203/2020, of 21 August, which sets out that the consultation of ERSE shall be dismissed if the generator expressly opts for the ordinary remuneration regime to the energy generated by the repowering.

*Small Hydro Plants (**PCH**)*

Decree-Law no. 35/2013, of 28 February, has shortened the duration of the remuneration regime applicable to PCH benefiting from the remuneration conditions established by Decree-Law 33-A/2005, of 16 February, from the expiration date on their water use license (of 35 years on average) to, if earlier, 25 years since the date they were attributed their operation license, after which date the electricity produced by these plants will be sold at market prices.

Self-consumption and small scale generation

Decree-Law no. 153/2014, of 20 October, further regulated by Ministerial Orders nos. 14/2015 and 15/2015, of 23 January, and Ministerial Order no. 60-E/2015, of 2 March, defines the legal regimes concerning generation for self-consumption and small scale generation activities.

Ministerial Order no. 15/2015, of 23 January, set the reference tariff to be applied in 2015 to the electricity produced by small scale generation to € 95/MWh and determined the percentages to be applied to the reference tariff, according to the energy source used by those generators: 100 per cent. for PV, 90 per cent. for biomass and biogas, 70 per cent. for wind farm and 60 per cent. for small hydro. By enacting Ministerial Order no. 115/2019, of 15 April, the Secretary of State for Energy decided to extend these tariffs to 2019, as in the previous years.

Decree-Law no. 76/2019, of 3 June, repealed the provisions of Decree-Law no. 153/2014, of 20 October, in what concerns renewable small-scale generation units where the grid connection capacity is equal to or less than 250 kV and which output is to be entirely delivered to the grid. This repeal will take effect 4 months from the enactment of Decree-Law no. 76/2019 and will not affect small-scale generation units using renewable sources with a capacity of up to 1MW, provided that such provisions do not conflict with the provisions enacted by Decree-Law no. 76/2019.

As such, the licensing of new renewable energy projects based on one single generation technology with a maximum installed capacity of 1 MW with the purpose of selling all electricity generated to the grid shall now be governed by the latter and are subject to a previous registration and to the attainment of an operation certificate. The remuneration scheme is identical to the one established on Decree-Law no. 153/2014, i.e., it is based on a competitive bidding where applicants offer discounts to the reference tariff established by the Portuguese government. Applicants may also choose to sell electricity under a market regime.

Ministerial Order no. 80/2020, of 25 March, set the reference tariff of €45/MWh to be applied in 2020 to the electricity produced by renewable energy projects based on one single generation technology with a maximum installed capacity of 1 MW with the purpose of selling all electricity generated to the grid.

Dispatch no. 41/2019, of 9 October, approved by the DGEG, and amended by Dispatches no. 43/2019, of 23 October, and no. 6/DG/2020, of 17 February, establishes rules for the registration of small-scale generation units.

On 25 October 2019, Decree-Law no. 162/2019 was published, establishing the new legal framework for self-consumption through renewable energy generation units (**UPAC**), by individual or collective consumers and by renewable energy communities (**CER**). This Decree-Law has revoked Decree-Law no. 153/2014, of 20 October (even though it shall continue to apply to non-renewable energy UPAC that have been licensed under the terms of Decree-Law no. 153/2014 and to PPAs that have been entered into by consumers operative renewable UPAC and the last resort supplier, SU Eletricidade) and partially transposed Directive (EU) 2018/2001. Decree-Law no. 162/2019 implements two phases:

(a) on 1 January 2020, for individual self-consumption and collective self-consumption or CER projects, with smart metering systems and that have been installed at the same voltage level; and

(b) on 1 January 2021, for other self-consumption projects.

DGEG Dispatch no. 46/2019, of 30 December, defined the rules for the operation of the online platform regarding individual self-consumption, collective self-consumption and CER.

Furthermore, on 20 December 2019, ERSE launched a public consultation process for the regulation of the self-consumption regime for projects with smart metering systems and which have been installed at the same voltage level. Further to this public consultation, ERSE published Regulation no. 266/2020, of 20 March, establishing individual self-consumption and collective self-consumption or CER projects, when connected to the grid, and ERSE's Directive no. 5/2020, of 20 March, approving access tariffs to be applied to the self-consumption in 2020. These diplomas establish the conditions upon which both individual and collective self-consumers can trade surpluses.

On 19 June 2020, Dispatch no. 6453/2020 was published, which exempt self-consumers from paying the CIEG usually included in the third-party access. This exemption applies at 100 per cent. for collective self-consumption projects and renewable energy communities and at 50 per cent. for individuals (provided these projects obtain the necessary conditions to carry out their activity by the end of 2021), and refers to the specific third-party access tariff defined for self-consumed energy using public grid from the generation site to the consumer site.

On 7 October 2020, ERSE's Directive no. 15/2020 was published, approving the network access tariffs to be applied to the self-consumption of electricity through the public service electricity network, referring to projects that benefit from the exemption of charges corresponding to the CIEG. The directive is effective from 20 June until 31 December 2020 and determines that the application of these tariffs is the responsibility of the distribution network operator to which the installation is connected.

On 5 May 2021, ERSE published Regulation no. 373/2021 implementing the new regulation of the individual self-consumption and collective self-consumption or CER projects, revoked ERSE Regulation no. 266/2020, of 20 March.

Cogeneration

Decree-Law no. 23/2010, of 25 March, as amended by Law no. 19/2010, of 23 August, Decree-Law no. 68-A/2015, of 30 April (the latter amended by the Rectification no. 30-A/2015, of 26 June) and by Law no. 71/2018 of 31 December, establishes the legal framework applicable to the generation of electricity through cogeneration.

As significant amendments were made to the cogeneration legal regime, the terms of the applicable remuneration schemes depend on the time the licensing procedure was carried out.

For cogeneration power plants operating at the time of its entry into force, Decree-Law no. 23/2010, as amended by Law no. 19/2010, of 23 August, established a transitory regime, allowing for generators with an operation license to choose between the previous remuneration scheme (for a maximum period of 15 years from the beginning of the operation license or, if earlier, 10 years after the entry into force of Decree-Law no. 23/2010) and the remuneration scheme approved by said decree-law.

The terms for the calculation of the reference tariff and the efficiency, renewable and market participation premiums, as well as the provisions regarding the transition into the remuneration scheme approved by Decree-Law no. 23/2010, of 25 March, were enacted by Ministerial Order no. 140/2012, of 14 May, as amended by Rectification no. 35/2012, of 11 July, and Ministerial Order no. 325-A/2012, of 16 October.

The amendments introduced by Decree-Law no. 68-A/2015, of 30 April, set out a more expeditious regime for obtaining a licence for generation of electricity through cogeneration, a new way of calculating the reference tariff payable to cogenerators, as well as new rules on the transitory remuneration scheme.

The remuneration mechanism is currently based on two methods subject to the choice of the cogeneration generator: a general regime where the compensation is either defined by market value or, if the injection capacity is less than or equal to 20 MW and the energy is self-consumed, a feed-in tariff based on market value and paid by the last resort supplier; and a special regime that is only available for generators with an injection capacity lower than or

equal to 20 MW, defined by a temporary reference tariff plus an efficiency premium and a renewable premium, if applicable. The values of the reference tariffs are defined quarterly by DGEG.

Solar

The country's potential for solar energy is substantial and far from fully realised. However, Portugal has recently witnessed a significant increase in capacity-licensing requests for utility-scale solar energy projects running under general market rules, which has resulted in a shortage of grid capacity. This shortage resulted in the establishment of new rules to obtain a generation licence when the requested capacity exceeds the grid capacity (Ministerial Order no. 62/2018, of 2 March). These rules were revoked by Decree-Law no. 76/2019, of 3 June, which, conversely, approved new rules for dealing with the mentioned scarcity and granting licenses for electricity generation projects. The approval of Decree-Law no 76/2019, paves the way for PV auction implementation announced by the Portuguese Energy Secretary of State.

On 6 June 2019, the Dispatch no. 5532-B/2019 established the auction for 1.400MW of PV and approved the legal pieces with further details on this Simultaneous Ascending Auction. The auction will be managed by OMIP and potential candidates had until 7 July, 2019 to show their interest and submit all the requested documents, to a prior assessment of qualification to further participation in the bidding process. The platform will compare all the bids (either for a fixed tariff of merchant) on a net-present-value basis, with differentiation of discount rates between the two remuneration types. This auction applies to 24 injection nodes on the grid, and the conditions are valid for a period of 15 years. The maximum price allowed is €45/MWh and this figure is expected to come down with competition. The final results of the solar auction were announced by DGEG on 7 August 2019 and EDP was not directly awarded any of the 24 tendered allotments. In one of the allotments (no.12), a solar project at Ribatejo, EDP (through EDP Renováveis) was the only bidder and, according to the rules regarding the minimum number of auction participants, this allotment was consequently not awarded at the price EDP bid. The DGEG has, however, accepted EDP Renováveis' revised proposal for interconnection capacity to develop the project for allotment no.12, with an installed capacity of 142 MW with a tariff of €20.89/MWh (which is the weighted average price resulting from the auction). With this new contract, EDP has approximately 750 MW of contracted solar capacity to be built until 2022, across Portugal, the United States and Brazil.

On 29 May 2020, Dispatch no. 5921/2020 established the opening of the electronic procedure of the second solar PV auction in Portugal. DGEG officially started the proceedings inviting bidders for 700 MW to be built in the Alentejo and Algarve regions. The 700 MW has been divided into 12 tendered allotments of various capacities ranging between 10 MW to 109 MW. The categories that interested bidders can enter are PV projects without storage systems and PV projects with storage systems. In the latter case, bidders may propose the installation of solar PV with battery energy storage system, CSP, solar PV+CSP and other combinations. Winners will enter into a PPA that has a duration of 15 years for the projects they secure. A single entity cannot win more than 50 per cent. of the total capacity (sum of all lots) put to auction. The preliminary results of the solar auction points towards the award of 670 MW for 13 projects, eight with battery energy storage with an estimated capacity of 100 MW. EDP (through EDP Renováveis) has not been awarded any tendered allotments.

Considering the exceptional impacts of the COVID-19 pandemic outbreak on the implementation of the projects, the deadlines established by the 2019 solar auction's tender specifications ("*caderno de encargos*") were extended by the ministerial orders ("*despachos*") of the Secretary of State for Energy Affairs of 15 December 2020 and of 27 April 2021. On 21 July 2021, the Secretary of State for Energy Affairs issued a new order extending by four months the terms established in the tender specifications for the 2020 solar auction.

B. Electricity Transmission

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government for a 50-year period. The concession for electricity transmission was awarded to REN until 2057, under article 69 of Decree-Law no. 29/2006, of 15 February, following the concession already granted to REN under article 64 of Decree-Law no. 182/95, of 27 July, as amended and republished by Decree-Law no. 56/97, of 14 March.

The activities of the TSO (or the concessionaire for the electricity transmission network) must be independent, both legally and organisationally, from other activities in the electricity sector. On 9 September 2014, ERSE issued a decision certifying that REN complies with the relevant legal requirements to be considered a full ownership unbundling TSO, subject to the conditions set out therein.

C. Electricity Distribution

Electricity distribution is carried out through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Pursuant to amendments to the Commercial Relations Regulation of the electric sector (**RRC**), in 2017, ERSE imposed further measures of image separation between operators of the same group, with emphasis on the distribution network operator, in line with the guidelines of the EC. On 13 August 2020, ERSE approved the change of

EDP Distribuição brand to E-REDES from 2021 onwards, to avoid confusion between the remaining EDP group brands. In a statement, the Portuguese NRA stated that the change in the image and name of the manager of the energy distribution networks will be implemented gradually, in order to ensure cost neutrality for electricity consumers.

On 10 November 2020, ERSE Regulation no. 7/2020 approved a new RRC (published in the Portuguese official gazette on 30 December 2020 by the Regulation no. 1129/2020), common for the electric and gas sectors, which entered into force on 1 January 2021, revoking Regulation no. 561/2014, of 22 December, and Regulation no. 416/2016, of 29 April. With the enactment of the new RRC, further independence requirements were approved by the NRA concerning the sharing of resources between the DSO and the companies within the vertically integrated undertaking.

Currently, the national medium and high voltage distribution network is operated under an exclusive concession granted by the Portuguese state for a 35-year period. This concession was awarded to EDP's subsidiary, E-REDES, pursuant to article 70 of Decree-Law no. 29/2006, of 15 February, after converting the licence held by E-REDES under the former regime into a concession agreement, signed on 25 February 2009. The terms of the concession are set forth in Decree-Law no. 172/2006, of 23 August.

The low voltage distribution networks are operated under concession agreements granted by the municipalities. Most of the low voltage distribution networks are handled by E-REDES, alongside some local concessionaires with less than 100,000 clients.

Although the existing municipal concession agreements were maintained pursuant to Decree-Law no. 172/2006, of 23 August, the new concessions must be awarded after a competitive procedure to be implemented by the relevant municipalities. To this end, Law no. 31/2017, of 31 May, established the principles and general rules of the upcoming public tenders. Accordingly, regardless of the end date of the prevailing concession agreements, the public tender procedures were due to take place simultaneously in 2019, covering all the municipalities that choose not to carry out the distribution activity directly. Pursuant to Law no. 31/2017, the concession agreements which terminated prior to 2019 (which is the case for the agreements with the municipalities of Lisbon, set to have ended in 2017, and São João da Madeira, set to have ended in 2016, both of which continue to be operated by E-REDES up to this date) must be extended by the relevant municipalities that choose not to carry out the activity directly until the new concessions enter into force. In order to ensure the launch of the public tender procedures in early 2019, the Council of Ministers issued Resolution no. 5/2018, of 11 January, approving the programme of preparatory studies and actions to be carried out by ERSE in coordination with DGEG and the National Association of Portuguese Municipalities, which is currently underway. It is worth noting that 259 of a total of 278 municipalities will expire until 2022. The remainder will expire in 2026. The concessions of Lisbon and São João da Madeira, as well as any other concessions expiring, shall be renewed annually until the formal competitive procedure is formally established.

Pursuant to such Resolution, ERSE has proposed on 22 January 2019 that the municipalities shall be grouped in three areas (north, centre and south) and that the public tender procedures shall be launched jointly by the municipalities located in such geographical areas.

On 30 November 2020, Dispatch no. 11814/2020, created a working group for the elaboration of the procedures, type programme and standard specifications of the public tenders for the low voltage electricity distribution concessions. This working group should present within four months the procedural parts and the draft standard contract for the concession of the operation of the low voltage distribution networks. However, Dispatch no. 3759/2021, of 13 April, extended the working group mandate until the end of July 2021.

By law, the entities carrying out the low voltage distribution which supply more than 100,000 customers and which are vertically integrated must be independent from other activities unrelated to the distribution activity, from a legal, organisational and decision-making standpoint. In turn, the operators of low voltage distribution networks who supply less than 100,000 customers are only obliged to have separate accounts and are not subject to a full ownership or legal unbundling obligation.

Under the Electricity Framework, the distribution system operator must prepare a network development and investment plan to be submitted to DGEG and subject to a public consultation and an opinion from ERSE, before discussion by the Portuguese parliament and approval by the member of the Portuguese government responsible for energy issues.

The prices that E-REDES charges for access to the distribution networks are subject to extensive regulation by ERSE. The access tariffs set by ERSE are paid by all consumers, whether in the regulated or the liberalised market. The allowed revenues of E-REDES for the 2018-2020 regulatory period are set as follows: (i) concerning the low voltage network, a price cap mechanism, with an efficiency factor of 2.0 per cent. is applied to the total expenditure; (ii) regarding the high and medium voltage network, the capital expenditure (**CAPEX**) is remunerated through the application of a rate of return to the net regulated asset base and the operating expenditures (**OPEX**) are subject to a price-cap mechanism, with an efficiency factor of 2.0 per cent. The regulated asset base is remunerated by a 5.75 per cent. reference rate of return, indexed to the evolution of the yield of 10-year Portuguese Treasury bonds between

October of year "t-1" and September of year "t". This mechanism sets a floor and a cap of 4.75 per cent. and 9.75 per cent., respectively.

D. Electricity Supply

Electricity supply is open to competition, subject only to a registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have the right to access the national transmission and distribution networks upon payment of access tariffs set by ERSE. EDP operates as a supplier in the liberalised market, through its subsidiary EDP Comercial.

Electricity suppliers must comply with certain public service obligations to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

In addition to the information requirements established on ERSE's regulation, Law no. 5/2019, of 11 January, further determines that the invoices issued by electricity suppliers must contain all elements necessary to a complete and accessible understanding of the total and disaggregated amounts, in particular the estimated and actual consumption, energy tariffs, grid access tariffs, supply tariffs, social tariffs (when applicable), primary energy, payment deadlines and methods and consequences of failure to pay the charged amounts. Suppliers shall also provide annual information to all customers, until 30 June of each year, regarding, in particular, the tariffs and prices to be applied that year, CO_2 emissions and political, sustainability and energy efficiency measures proposed by ERSE and the DGEG.

Failure to comply with the obligations set out in Law no. 5/2019, of 11 January, may be considered an administrative offence by the National Entity for the Energy Sector ("*Entidade Nacional para o Setor Energético, E. P. E.*"), which will be supervising compliance with this legal regime on a transitional basis, until the creation of a new supervisory entity for the energy sector.

Decree-Law no. 60/2019, of 13 May, established a reduced VAT rate (6 per cent.) regarding the fixed component of the third-party access from electricity supply (for natural gas, please see natural gas supply), maintaining the remaining invoice at the normal VAT rate (23 per cent.).

This is applicable to the electricity supply (contracted capacity =< 3.45 kVA) and entered into force on 1 July 2019.

Decree-Law no. 74/2020 of 24 September 2020, approved the application of the intermediate VAT rate (currently 13 per cent. in mainland Portugal) to supplies of low voltage electricity (up to 6.9 kVA) for consumption not exceeding:

- 100 kWh per 30-day period (applicable for consumption as from 1 December 2020); and
- 150 kWh per 30-day period, when purchased for consumption by large households, defined as having five or more persons (applicable for consumption as from 1 March 2021).

The reduced rate does not apply to fixed components of electricity supplies (i.e., that do not change with the amount of electricity consumed, such as the fixed component of the tariff to access the network and components related to the contracted power).

Ministerial Order no. 247-A/2020, of 19 October, regulates certain aspects of the Decree-Law no 74/2020, such as the rules for large households, the computation of the thresholds when facing multi-hourly tariffs, and the apportionment of those thresholds when facing billing cycles of less than or greater than 30 days.

As required by the Electricity Directive, the Electricity Framework establishes a last resort supplier, licensed by DGEG, subject to universal service obligations and regulation by ERSE. Besides supplying electricity to customers who have not switched to the liberalised market, the last resort supplier is responsible for the purchase of the special regime generation that benefits from a guaranteed remuneration scheme (feed-in tariff). This energy is sold by the last resort supplier in the organised markets or at energy auctions promoted and organised by ERSE. The last resort supplier is entitled to recoup the overcosts with the acquisition of the special regime generation relative to the revenues obtained from its sale in the market.

Pursuant to amendments introduced by Decree-Law no. 264/2007, of 24 July, the last resort supplier is also further required to buy energy through market mechanisms, namely auctions, with conditions defined by the Portuguese government. The purchases are recognised for the purpose of regulated costs whenever they reach maturity. The last resort supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last resort supplier is resold on the organised market.

Since 1 January 2007, the role of last resort supplier has been carried out by: (i) an independent entity, from an organisational and legal standpoint, SU Eletricidade, which was created by EDP's subsidiary, E-REDES; and (ii) some local low voltage distribution concessionaires with less than 100,000 clients.

The prices that SU Eletricidade charges for the electricity supplied to the customers remaining in the regulated market are uniform throughout mainland Portugal and subject to extensive regulation.

Revenues for last resort suppliers comprise different components according to the regulated activity: (i) the costs with the purchase and sale of energy and the access to the networks are fully recouped and recognised in the regulated cost base; and (ii) regarding the commercialisation activity, OPEX is subject to a price-cap mechanism, with an efficiency factor of 1.5 per cent. concerning the current regulatory period.

Logistics for Switching Suppliers

The ability to switch to the liberalised market was opened to all electricity consumers as of September 2006. Since then, electricity consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers. Switching suppliers should not take more than three weeks, and there is no limitation on the number of switches any customer can make.

Decree-Law no. 172/2006, of 23 August, introduced a new legal entity, the logistic operator for switching suppliers (**OLMC**), regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching. While waiting for the creation of a switching operator, ERSE determined that, in the meantime, E-REDES, the operator of the medium and high voltage distribution network, should take on that role.

In 2017, Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to Agência para a Energia (**ADENE**), the national agency for energy.

Phasing out of end-user regulated tariffs

The phasing out of end-user regulated tariffs began in 2011, pursuant to Decree-Law no. 104/2010, of 29 September, which approved the termination of the end-user regulated tariff for clients other than normal low voltage (comprising the very high, high, medium and special low voltage levels) as of 1 January 2011 and their replacement by a transitory end-user regulated tariff, set by ERSE. In turn, Resolution of the Council of Ministers no. 34/2011, of 1 August, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for normal low voltage electricity consumers as follows: (i) 1 July 2012 for consumers with contracted power equal or greater than 10.35 kVA; and (ii) 1 January 2013 for consumers with contracted power lower than 10.35 kVA.

By law, the last resort supplier must continue to supply electricity consumers that have yet to migrate to the liberalised market. To encourage customers to switch to the liberalised market, Decree-Law no. 75/2012, of 26 March, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on: (i) 31 December 2011 for all segments other than normal low voltage; (ii) 31 December 2014 for normal low voltage customers with contracted power equal or greater than 10.35 kVA; and (iii) 31 December of 2015 for the remainder. However, these deadlines have been continuously postponed, except for the very high voltage level, which ended in 2013. Following the enactment of Ministerial Order no. 83/2020, of 1 April, the phasing out of the remaining transitory end-user regulated tariffs is now scheduled to be completed as follows:

- normal low voltage electricity supply, 31 December 2025;
- medium voltage electricity supply, 31 December 2021; and
- special low voltage electricity supply, 31 December 2022;

In addition, Decree-Law no. 75/2012, of 26 March, as amended by Law no. 105/2017, of 30 August, determined that the normal low voltage consumers that have already switched to the liberalised market may choose pricing conditions comparable to the end-user regulated tariffs and, ultimately, return to the last resort supplier when the relevant supplier does not offer such pricing conditions until 31 December 2025, under the terms established in Ministerial Order no. 348/2017, of 14 November (subsequently amended by Ministerial Order no. 6/2021, of 6 January, which extended this option of consumers until 31 December 2025). Moreover, Law no. 105/2017 provides for the elimination of the aggravating factor established by Decree-Law no. 75/2012, of 26 March.

Electricity Tariffs

According to ERSE statutes, approved by Decree-Law no. 97/2002, of 12 April, as amended by Decree-Law no. 212/2012, of 25 September, by Decree-Law no. 84/2013, of 25 June, by Decree-Law no. 57-A/2018, of 13 July and by Decree-Law no. 76/2019 of 3 June, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices applicable in Portugal, under the Tariff Code of the electricity sector. The tariffs and prices for electricity and other services in 2019 were approved by ERSE's document "*Tarifas e Preços para a Energia Elétrica e outros Serviços em 2019*", published in December 2018 and available at www.erse.pt, and by ERSE's Directive no. 5/2019, of 17 December 2018, published in the Portuguese official gazette on 18 January 2019.

The tariffs and prices for electric energy in 2021 were approved by ERSE's Directive no. 1/2021, published in the Portuguese official gazette on 8 January 2021. This document assumes a 0.6 per cent. average decrease for normal low voltage electricity tariffs.

Due to the high prices verified in MIBEL in recent months and in order to avoid excessive misalignment with the liberalised market and the creation of deviations to be recovered later by the tariffs, ERSE approved Instruction no. 11/2021, of 14 June (published in the Portuguese official gazette on 21 June), which updated the low voltage electricity tariffs, with an increase of €5 MWh, with effect as from 1 July 2021 (increase of 3 per cent. on electricity bills).

Costs deferral

The regulatory period from 2006 to 2008 brought little change in the method of tariff calculation. However, in 2006 and 2007, a "tariff deficit" was generated, which meant that the end-user tariffs charged by the last resort supplier (E-REDES in 2006 and SU Eletricidade in 2007) were not covering all the costs of the system, generating a loss for the last resort supplier and for the TSO, REN. This deficit resulted from two different decree-laws: (i) Decree-Law no. 187/95, of 27 July, amended by Decree-Law no. 157/96, of 31 August, and Decree-Law no. 44/97, of 20 February, which prevented the low voltage tariffs from rising above the expected rate of inflation in 2006; and (ii) Decree-Law no. 237-B/2006, of 18 December, which limited the rise in tariffs for residential customers (normal low voltage) in 2007 to a maximum of 6 per cent. These deficits were fully recovered in ten years, beginning in 2008, through annual rises in the access tariffs.

When ERSE set the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to the increase in electricity prices in the wholesale market. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree-Law no. 165/2008, of 21 August, defined the rules applicable to: (i) tariff adjustments resulting from the electric energy acquired by the last resort supplier in exceptional cost situations; and (ii) the tariff repercussion of certain costs related to energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon, on such conditions, should be recovered over a maximum period of 15 years. In the case of the tariff deficit of 2009, an instalment worth 1/15 of the total deficit plus the corresponding interest has been added to the tariffs each year, beginning in 2010.

In 2012, to prevent an increase in electricity tariffs, the Portuguese government deferred the CMEC annual adjustments of 2010, according to Decree-Law no. 109/2011, of 18 November. Another deferral was enacted pursuant to Decree-Law no. 256/2012, of 29 November, applying to the CMEC and PPA annual adjustments of 2011, earning interests at an annual rate of 5 per cent. and 4 per cent., respectively, as set by Ministerial Order no. 145/2013, of 9 April.

Decree-Law no. 32/2014, of 28 February, deferred the CMEC annual adjustment of 2012 in the electricity tariffs for 2014, to be recovered in equal parts in the allowed revenues of the distribution network operator for 2017 and 2018. The Decree-Law also determined the payment of a compensation for this deferral, according to a remuneration rate computed pursuant to Ministerial Order no. 500/2014, of 26 June, applied to the parameters being established by Dispatch no. 9480/2014, of 22 July, resulting in an annual interest rate of 5 per cent.

In 2011, a change in Decree-Law no. 29/2006, of 15 February, was established by Decree-Law no. 78/2011, of 20 June, and further amended by Decree-Law no. 75/2012, of 26 March, by Decree-Law no. 112/2012, of 23 May, by Decree-Law no. 215 A/2012, of 8 October, by Decree-Law no. 178/2015, of 27 August, and Law no. 42/2016, of 28 December, in order to allow for the deferral of overcosts with the acquisition of electricity under the special regime generation over a period of five years, mandatory for the 2012 overcosts and optional for the overcosts up until 2020. Accordingly, since 2012, ERSE has been deferring for a 5-year period the recovery of the special regime generation overcosts expected for each year. On 1 October 2020, Decree-Law no. 79/2020, allowed for the deferral of overcosts with the acquisition of electricity under the special regime generation until 31 December 2025.

Ministerial Order no. 279/2011, of 17 October, further regulated by Ministerial Order no. 146/2013, of 11 April and Ministerial Order no. 262-A/2016, of 10 October, set the methodology to calculate the rate of return applicable to the deferral of the recovery of the overcosts with the acquisition of special regime generation. The final value of the rate of return depends on parameters defined annually in supplementary legislation. The parameters for 2021 were set by Dispatch no. 12088/2020, of 14 December, and considered by ERSE in the tariffs for 2021. On 30 June 2021, Ministerial Order no. 138/2021, was published which revoked Ministerial Order no. 279/2011, of 17 October (and further legislation), and established a new methodology to calculate the rate of return applicable to the deferral of the recovery of the overcosts with the acquisition of special regime generation and a sharing mechanism with electricity consumers whenever, from the assignment of the right to receive the amounts relating to special regime generators, the EDP Group obtained a gain.

Social tariffs

The electricity social tariff was established by Decree-Law no. 138-A/2010, of 28 December, as amended by Decree-Law no. 172/2014, of 14 November, and Law no. 7-A/2016, of 30 March, corresponding to a 20.0 per cent.

discount applied to the low voltage access tariff, borne by the electricity generators in the ordinary regime. The procedures and conditions for the attribution of the electricity social tariff are regulated by the provisions of Ministerial Order no. 178-B/2016, of 1 July.

Decree-Law no. 102/2011, of 30 September, as amended by Decree-Law no. 172/2014, of 14 November, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced an additional support mechanism, by establishing the extraordinary social support to the energy consumer (**ASECE**), corresponding to a 13.8 per cent. discount applied to the electricity bill before taxes, born by the Portuguese taxpayers.

The 2016 state budget law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. Concurrently, it revoked Decree-Law no. 102/2011, of 30 September, determining the incorporation of ASECE into the social tariff discount, thereby increasing the amount financed by the ordinary regime generation.

The rate of discount of the social tariff is established annually by Dispatch of the member of the Portuguese government responsible for energy affairs. Accordingly, for 2021, Dispatch no. 9807/2020, published on 12 October, kept the discount unchanged at a rate equivalent to 33.8 per cent. of the electricity bill before taxes.

On 26 November 2020, Decree-Law no. 100/2020, extended the requirements to benefit from the electricity and natural gas social tariff, in particular to include all unemployment situations in addition to those that already exist and, also, to the beneficiaries of the disability social pension under the special disability protection regime or the complement of the social benefit for inclusion.

On 1 March 2021, Ministerial Order no. 45-B/2021 amended Ministerial Order no. 178-B/2016, of 1 July, which established the procedures, model and other conditions necessary for the application of the social tariff for the supply of electricity, namely in order to increase the frequency in which the procedures for automatic identification and validation of economically vulnerable customers occur.

Collateral management in the Electricity Power System

On 29 November 2019, ERSE launched a public consultation regarding a regulation on the electricity power system's collateral management. The new guarantee structure now includes two components: an individual and a solidary guarantee, which may cover both own responsibilities and the responsibilities of the agents in the system, respectively. This new regime attributes to OMIP S.A. the responsibility to perform the integrated management of collateral between agents. On 14 February 2020, ERSE's Directive no. 2-A/2020 was published in the Portuguese official gazette, which approved the electricity power system's collateral management regime.

Electric Mobility

On 4 November 2019, ERSE Regulation no. 854/2019 (Electric Mobility Regulation) was published and revoked the previous regulation (in force since December 2015). This regulation defines how the charging stations network should be managed and delineates the roles of the key players involved in the operation of the mobility network. On 1 February 2021, ERSE Regulation no. 103/2021, amended ERSE Regulation no. 854/2019 related, namely, to the transitory regime of direct current measurement and other specific changes arising from the implementation of the regulatory model for defining the allowed revenues for the electric mobility network management activity.

Under the current legal model there is a regulated entity, Mobi.E, to which every charging station integrated in the public network must be connected. In the majority of the European countries, there are several roaming hubs that ensure the interoperability between different charging stations' operators, allowing users to charge their electric vehicle in every charging station, either in or outside their country. The Portuguese regulation ensures that any electrical vehicle user is allowed to use any charging station (at national level), though it does not consider ad hoc charging and it imposes a regulated roaming entity.

The network tariff structure applied to electric mobility is fully variable (€/kWh), though it reflects some costs related with contracted capacity (kW). In addition, for those private charging stations which decide not to integrate the electric mobility network under a contract with Mobi.E, there may still be the necessity to contract additional capacity.

On 27 December 2019, a public tender was launched through Procedure Notice no. 14283/2019 for the concession of the operation of electric mobility charging stations. This was an international public tender, for the concession to operate the Mobi.E pilot for 10 years and involved 663 Normal Charging Stations. The tender was divided into 11 lots (about 60 charging stations per lot), distributed territorially in an equitable manner, with each operator, although able to apply to all 11 lots, allowed to obtain a maximum of three lots. EDP, GALP, KLC and Power Dot were the four companies selected for the concession for the operation of Mobi.E.'s electric mobility charging stations.

On 28 May 2020, ERSE's Directive 8/2020, approved on 28 April 2020, was published approving the general conditions of the contract for joining the electric mobility network and the methodology for calculating the guarantees to be provided to the Electric Mobility Network Managing Entity.

On 28 May 2021, Dispatch no. 5380/2021 was approved, establishing the financial support for network access charges for electric mobility and revoking Dispatch no. 3636/2019, of 1 April.

*Extraordinary Contribution to the Energy Sector (**CESE**)*

The 2014 state budget law (Law no. 83-C/2013, of 31 December, as amended by Law no. 33/2015, of 27 April) introduced the CESE, with the stated purpose of funding mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund – the Systemic Sustainability Fund for the Energy Sector – intended to finance social and environmental policies (two-thirds of CESE revenue) and to contribute to the reduction of the tariff debt of the National Electricity System (one-third of CESE revenue). CESE corresponds to a tax on the net assets of the energy operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; and (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

Pursuant to Law no. 71/2018, of 31 December, which approved the state budget for 2019, CESE shall now also be levied on generators operating renewable energy power plants that have been licensed under the guaranteed remuneration scheme, i.e., selling electricity to the last resort supplier against payment of a legally or contractually determined feed-in tariff. These generators were, to this date, exempted from paying CESE.

With the enactment of Law no. 2/2020, of 31 March, which approved the state budget for 2020, a new exemption in respect of CESE has been included and renewable energy power plants with an installed capacity below 20MW are now exempt from paying CESE. This exemption shall not apply in respect of generators that, in the aggregate of renewable power plants operated, have an installed capacity above 60MW subject to the guarantee remuneration scheme. Other than that, the state budget law for 2020 maintains CESE in the same conditions that were in force in previous years.

Law no. 75-B/2021, of 31 December, which approved the state budget for 2021, kept CESE rules unchanged. However, it did state that in 2021 the Portuguese government shall consider a possible review, either by changing the rules of incidence or by reducing the tax rates. This is in light of the Portuguese government's purpose for a sustainable reduction of the tariff deficit and the implementation of alternative funding sources for social/environmental policies in the energy sector, aiming to stabilise the legal framework and reduce litigation.

CESE initially emerged as an extraordinary measure, with a temporary nature. Nevertheless, and unlike originally proposed, CESE has been continuously extended under each year’s state budget law, while its revenue has not been serving the legal stated purpose. Although having paid this levy since its introduction in 2014, EDP disputed its payment with the competent authorities, for disagreeing with the legal and constitutional basis of CESE, and initially suspended payment in 2017.

However, Law no. 71/2018, of 31 December reinforced CESE temporary nature, associating it with the evolution of the tariff debt of the National Electricity System, and Decree-Law 109-A/2018, of 7 December, established an allocation of a greater part of this levy revenue (two-thirds) to the reduction of such debt.

EDP proceeded with CESE payments related to 2017, 2018 and 2019. Furthermore, on 29 October 2020, EDP announced that it withdrew its claims to dispute the legality and constitutionality of CESE.

REN – Armazenagem S.A. (**REN Armazenagem**) was also contesting CESE and, on 10 January 2019, REN – Redes Energéticas Nacionais, SGPS, S.A. announced that it was notified of the decision of the Constitutional Court that analysed the appeal filed by REN Armazenagem towards the declaration of illegality of the collection of CESE in 2014 and that:

(i) the Constitutional Court ruled against the unconstitutionality of the applicable rules of the legal framework of CESE approved by Law 83-C/2013 of 31 December; and

(ii) the Constitutional Court limited the scope of the appeal to the CESE in force in 2014 and did not analyse the constitutionality of the rules that govern CESE for the following years, i.e. from 2015 to 2019.

It is not possible at this stage to make an assessment of the impact (if any) of this decision for EDP.

Law no. 2/2020, of 31 March, which approved the state budget for 2020, determines that the CESE regime shall apply in 2020 with a few amendments, such as the new wording approved for article 4 of the mentioned regime.

As such, the activity of electricity generation through power plants that use renewable resources and have an installed power lower than 20 MW are exempted from CESE. Such exemption will not apply to taxpayers that operate renewable energy power plants benefiting from guaranteed remuneration with a total of 60 MW. The remaining exemptions (and corresponding exceptions), as approved by the state budget law for 2019, will still apply in 2020.

Furthermore, pursuant to article 377 of Law no. 2/2020, the Portuguese government is authorised to amend the CESE regime to (i) reduce CESE rates, having as limit the percentage corresponding to the reduction of the tariff debt as proposed by ERSE for 2020; (ii) reduce CESE rates applicable to the petroleum sector, considering the need to

finance social and environmental policies within the energy sector and the existence of other measures that may substitute these revenues; (iii) review the rules regarding the taxable events in the supply sector of the Natural Gas National System, to allow the update of the economic value equivalent to the long term take-or-pay gas contracts, considering the information on their actual value; and (iv) establish a CESE exemption for power plants that use urban waste operated by waste management entities.

*Taxation of energy products and electricity (**ISP**) and CO_2 additional tax*

The 2018 state budget law (Law no. 114/2017, of 29 December), removed certain exemptions in the scope of the tax regime of energy products, in particular, (i) bituminous coal used to produce electricity and/or used in cogeneration facilities and (ii) bituminous coal, fuel oil and natural gas used to produce electricity and/or used in cogeneration facilities subject to ETS. The elimination of this exemption shall apply to Sines power plant. This tax, both for ISP and CO_2 added tax, will increase its rate progressively until 2022 (10 per cent. for 2018; 25 per cent. for 2019; 50 per cent. for 2020; 75 per cent. for 2021; 100 per cent. for 2022). Half of the tax revenues shall be allocated to the National Electricity System or to reduce the tariff deficit and the remaining 50 per cent. shall be allocated to the Environmental Fund.

The 2019 state budget law (Law no. 71/2018, of 31 December), kept the percentage of the tax over energy products for coal power-plants unchanged (25 per cent. for 2019), both for ISP and CO_2 added tax. Regarding the CO_2 added tax, this 25 per cent. are applied to the difference between a CO_2 reference price of €20/ton CO_2 and the average price from CELE auctions, considering a cap of €5/ton of CO_2 (for 2019 this difference is set at €5/ton). 50 per cent. of this revenue shall be allocated to National Electricity System or to a reduction of the tariff deficit, 40 per cent. shall be assigned to the Environmental Fund and the remaining 10 per cent. shall be allocated to the Fund for Innovation, Technology and Circular Economy.

With the state budget law for 2020, the following percentages for the tax over oil and energy products used in the generation of electricity in 2020 are established: for coal power-plants – 50 per cent., both for ISP and CO_2 added tax (regarding the CO_2 added tax, this 50 per cent. is applied to the difference between a CO_2 reference price of €25/ton CO_2 and the average price from CELE auctions, considering a cap of €5/ton of CO_2 - for 2020 this difference is set at €5/ton); for natural gas used in electricity generation – 10 per cent., both for ISP and CO_2; and for fuel oil used in electricity generation – 25 per cent. both for ISP and CO_2.

CO_2 added tax over natural gas and fuel oil used in electricity generation will not apply to ETS facilities.

The corresponding tax revenues (that will not apply to biofuel, biomethane, green hydrogen and others renewable gases) are allocated 50 per cent. to the National Electricity System or to the reduction of the tariff deficit and 50 per cent. to the Environmental Fund.

On 4 December 2020, Ministerial Order no. 277/2020 was published, which established, for 2021, that CO_2 added tax foreseen in article 92-A (2) in the Excise Duty Code is €23,921 ton/ CO_2.

With the state budget law for 2021, the following percentages for the tax over oil and energy products used in the generation of electricity are established: for coal power-plants – 75 per cent., both for ISP and CO_2 added tax (but it has no impact on Sines Power Plant, with early closure by January 2021); for natural gas used in electricity generation and in cogeneration facilities – 20 per cent., both for ISP and CO_2 (CO_2 added tax over natural gas used in electricity generation and in cogeneration will not apply to ETS facilities).

Gas Sector: Regulatory Framework

1. Overview

The general basis, principles and model of organisation of the Portuguese Natural Gas System (**SNGN**), were established through Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, both amended by Decree-Law no. 66/2010, of 11 June, and the former amended by Decree-Law no. 77/2011, of 20 June.

Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October, were published, completing the transposition of the Directive 2009/73/EC, and introducing new modifications to Decree-Law no. 30/2006, of 15 February, and to Decree-Law no. 140/2006, of 26 July. These acts introduced important modifications: (i) the requirements related to the independence, legal separation and ownership unbundling of the transmission network operator were reinforced, with the aim of assuring the independence and eliminating the network access discrimination risk; (ii) the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); and (iii) the statutes of the suppliers were clarified, with particular reference to the last resort suppliers playing in the SNGN.

Both Decree-Law no. 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July, were recently revoked by Decree-Law no. 62/2020, of 28 August (**Decree-Law no. 62/2020**), as amended by Rectification no. 40-C/2020, of 27 October, which transposes Directive 2019/692 and establishes, in a consolidated way, the organisation and functioning of the Portuguese Gas System (**PGS**). Decree-Law no. 62/2020 encompasses not only the legal regime applicable to the activities of natural gas (formerly covered by the abovementioned Decree-Law no. 30/2006 and Decree-Law no. 140/2006), but also introduces the legal framework applicable to the production and introduction in the PGS of low carbon gases and gases of renewable origin.

The PGS is currently divided into six major activities: reception, storage and regasification of LNG, underground storage of natural gas, transmission, distribution, supply and logistic operations for switching between suppliers.

Activities related to the reception, storage and regasification of LNG, underground storage of natural gas, and transmission of natural gas are regulated and provided through the award of public service concessions. Natural gas distribution is regulated and carried out through the award of public service concessions or licences. The supply of natural gas is open to competition and only requires compliance with a licensing or registration procedure.

On 1 April 2019, ERSE published an update to natural gas regulations (the Tariff, Commercial Relations and Access to the Networks, Infrastructure and Interconnections Regulations) that had been under public consultation since January 2019, aiming to prepare the next regulatory period. One of the outcomes of the public consultation was the extension of the regulatory periods to four years.

ERSE approved the new gas codes, completing the adaptation of the regulation to the new national legal framework that now includes the production of renewable gases and low-carbon gases, through Regulation no. 341/2021, of 14 April, on Infrastructure Operation (revoking ERSE Regulation no. 417/2016, of 14 April); Regulation no. 368/2021, of 28 April, related to the Tariffs Regulation; and Regulation no. 407/2021, of 12 May, on Access to Networks, Infrastructures and Interconnections. ERSE also approved the extension of the guarantees' regime to the gas market, through Directive no.7/2021, published in the Portuguese official gazette on 15 April 2021.

MIBGAS

During the last decade, the Portuguese and Spanish governments made their best efforts to establish a stable framework that would enable gas system operators in both countries to develop their activity in the Iberian Peninsula, the Iberian Natural Gas Market (**MIBGAS**).

The construction of this framework started with the creation of the market operator MIBGAS, S.A., which started the negotiation of natural gas products on 16 December 2015. MIBGAS, S.A. started trading Portuguese products in 2017.

MIBGAS liquidity is below the liquidity levels of the main European gas hubs. Therefore, measures were taken to increase market liquidity, including the regular appointment of voluntary market creators and compulsory market creators.

2. Natural Gas Supply

EDP operates in the supply of natural gas market, which is open to competition, subject only to prior registration with DGEG. EDP's licensed supplier of natural gas for the liberalised market is EDP Comercial.

Decree-Law no. 60/2019, of 13 May, also established a reduced VAT rate (6 per cent.) regarding the fixed component of the third-party access from the natural gas supply, maintaining the remaining invoice at the normal VAT rate (23 per cent.). This is applicable to the natural gas supply (low pressure <= 10 000 m^3/year) and entered into force on 1 July 2019.

Suppliers may openly buy and sell natural gas. For this purpose, they have the right to access the natural gas transmission and distribution networks upon payment of an access tariff set by ERSE. The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access tariffs and access to information in simple and understandable terms.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, licensed by DGEG and subject to regulation by ERSE. As last resort suppliers are required to be legally separated from all other activities (unless they supply less than 100,000 clients), EDP's last resort supplier activity is undertaken by its subsidiary, EDP Gás SU, in the concession area of REN Portgás Distribuição, S.A., which covers the districts of Oporto, Braga and Viana do Castelo, in the Northern coastal region of Portugal.

The allowed revenues of the last resort suppliers are defined by ERSE on an annual basis according to the parameters set at the beginning of each regulatory period. On 30 June 2016, ERSE released the parameters for the new regulatory period 2016-2019. The allowed revenues of EDP Gás SU were set as follows: (i) the retailing activity is remunerated through the application of a rate of return to the working capital, in addition of a retail margin of €4/client/year; and (ii) the OPEX is subject to a price-cap mechanism, with an efficiency factor of 2.0 per cent. The working capital is remunerated by a 6.20 per cent. reference rate of return, indexed to the evolution of the yield of the 10-year Portuguese Treasury bonds between April of year "t-1" and March of year "t". This mechanism sets a floor and a cap of 5.70 per cent. and 9.30 per cent., respectively.

ERSE Directive no. 11/2020, of 1 June, published in the Portuguese official gazette on 25 June, approved the regulated tariffs to be applicable between July 2020 and June 2021. ERSE issued a rectification of this Directive, which was published in the Portuguese official gazette on 11 August 2020.

Following the recent decrease in the wholesale natural gas prices, ERSE Directive no. 12/2020, of 1 June, was published in the Portuguese official gazette on 30 June, approving a reduction of the Energy Tariff, with effect on 1 July 2020, corresponding to a -3.3 per cent. variation in the low-pressure end-user regulated tariffs for clients with an annual consumption of less than 10.000 m^3.

Logistic operations for switching suppliers

Switching to the liberalised market is open to all natural gas consumers as of January 2010. Since then, natural gas consumers are free to choose their supplier and are exempt from any payment when switching suppliers. Decree-Law no. 140/2006, of 26 July, introduced a new entity, the OLMC, regulated by ERSE, responsible for overseeing the logistical operations that facilitate consumer switching in both the electricity and the natural gas sectors. Decree-Law no. 38/2017, of 31 March, established the legal regime applicable to the OLMC for electricity and natural gas, attributing this function to ADENE.

Phasing out of end-user regulated tariffs

The phasing out of end-user regulated tariffs began in 2010, pursuant to Decree-Law no. 66/2010, of 11 June, which approved the termination of the end-user regulated tariff for large clients (with an annual gas consumption greater than 10,000 m^3) as of 1 July 2010, and their replacement by a transitory end-user regulated tariff, set by ERSE. In its turn, Decree-Law no. 74/2012, of 26 March, approved the timetable for the termination of the end-user regulated tariff and the introduction of a transitory end-user regulated tariff for clients with annual gas consumption lower than 10,000 m^3 as follows: (i) 1 July 2012 for clients with an annual gas consumption greater than 500 m^3; and (ii) 1 January 2013, for the remainder. By law, the last resort suppliers must continue to supply the natural gas consumers that have yet to migrate to the liberalised market.

To encourage costumer switching to the liberalised market, Ministerial Order no. 108-A/2015, of 14 April, amended by Ministerial Order no. 359/2015, of 14 October, approved the application of an aggravating factor to the transitory end-user regulated tariffs set by ERSE. Dispatch no. 11412/2015, of 30 September, updated the parameters used to compute the aggravating factors according to the mechanism established in Ministerial Order no. 108-A/2015, of 14 April.

The termination of the transitory end-user regulated tariffs was initially scheduled to occur on (i) 31 March 2011 for large clients; (ii) 31 December 2014 for clients with an annual gas consumption between 10,000 m^3 and 500 m^3; and (iii) 31 December 2015 for the remainder. However, these deadlines have been continuously postponed and, following the enactment of Ministerial Order no. 83/2020, of 1 April, the phasing out of the transitory end-user regulated tariffs is now scheduled to be completed by: (i) 31 December 2022, for low pressure natural gas supply to clients with an annual consumption higher than 10,000 m^3; and (ii) 31 December 2025, for natural gas supply to clients with an annual consumption below 10,000 m^3. After this, last resort suppliers will only be allowed to supply economically vulnerable consumers, as defined by Decree-Law no. 231/2012, of 26 October. However, economically vulnerable consumers were granted the right to choose whether to continue to be supplied by the last resort supplier or by a regular supplier, maintaining in any case the right to benefit from the legally established tariff discounts.

Social Tariffs

The natural gas social tariff was established by Decree-Law no. 101/2011, of 30 September, corresponding to a discount applied to the low-pressure access tariff borne by natural gas customers. The procedures and conditions for the attribution of the electricity social tariff are regulated by the provisions of Ministerial Order no. 178-C/2016, of 1 July, as amended by Ministerial Order no. 12/2021, of 11 January.

In addition, Decree-Law no. 102/2011, of 30 September, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, introduced the ASECE, corresponding to a 13.8 per cent. discount applied to the natural gas bill before taxes, borne by the Portuguese taxpayers.

The 2016 state budget law (Law no. 7-A/2016, of 30 March) introduced important changes in the support mechanisms addressing energy poverty, creating a unique and automatic model to assign social tariffs to economically vulnerable customers. At the same time, it determined the incorporation of ASECE into the social tariff discount (revoking Decree-Law no. 102/2011, of 30 September).

The rate of discount of the social tariff is established annually by Dispatch of the member of the Portuguese government responsible for energy issues. Dispatch no.3163/2021, of 24 March, keeps the 31.2 per cent. discount rate for the tariff period between 2021 and 2022, with effect on 1 October 2021.

The 2018 state budget law (Law no. 114/2017, of 29 December) provides for changes to the way the costs with the social tariff are funded, by determining that these costs should be borne by the natural gas transportation companies and suppliers, as a pro rata of the amount of gas supplied in the previous year.

As per the Portuguese government's request, the Attorney General's office issued an opinion on the state budget law's provision that establishes social tariff's funding in which it argues that all companies responsible for the transportation of natural gas shall borne the costs with the social tariff and that these shall include the TSO, as well as the DSO.

Following the homologation of such opinion by the Secretary of State for Energy, and even though the interpretation contained therein only binds the public services that requested said opinion, ERSE amended the Tariff Code as to reflect the interpretation of the Attorney General's office opinion.

In fact, these changes became effective as of 1 July 2018, after ERSE introduced the necessary amendments to the Natural Gas Tariff Code and to the Natural Gas Commercial Relations Code[2], with the adoption of Regulations no. 385/2018, of 1 June, published in the Portuguese official gazette on 21 June, and no. 387/2018, of 1 June, published in the Portuguese official gazette on 22 June, respectively.

On 26 November 2020, Decree-Law no. 100/2020 extended the requirements to benefit from the electricity and natural gas social tariff, in particular to include all unemployment situations in addition to those that already exist and, also, to the beneficiaries of the disability social pension under the special disability protection regime or the "*prestação social para a inclusão*" (a social allowance which aims to improve the social protection of persons with disabilities and to encourage their participation in society and the labour workforce).

3. COVID-19 - Extraordinary measures in the energy sector

Following the outbreak of the novel coronavirus, a state of emergency was declared in Portugal, by Presidential Decree no. 14-A/2020, of 18 March, as authorised by the Portuguese parliament's Resolution no. 15-A/2020, of 18 March.

In addition to a number of measures that have been implemented to prevent further spread of COVID-19, the Portuguese government approved Decree no. 2-A/2020, of 20 March, which regulates the state of emergency.

Pursuant to article 26 of said Decree, which establishes that the members of the government responsible for environmental affairs shall establish adequate measures to guarantee the urban water cycle, electricity and gas, as well as oil derivatives and natural gas and solid waste treatment and collection, the Minister for the Environment and Climate Action has approved Order no. 3547-A/2020, of 22 March, aiming at implementing the state of emergency with respect to essential public services, in particular to energy supply, including electricity and natural gas, and liquid fuels and liquified petroleum gas (**LPG**).

To guarantee the continuity of energy supply, including electricity and natural gas, as well as the supply of liquid fuels, such as gasoline and diesel, and of LPG, such as propane and butane, the following measures must be complied with, notwithstanding the directives, recommendations and regulations of the national regulatory authorities and DGEG:

[2] From 1 January 2021, the Natural Gas Commercial Relations Code was substituted by the new common electric and gas sectors Commercial Relations Code, approved by ERSE's Regulation no. 7/2020, of 10 November.

- in order to maintain the operation of the strategic network of gas stations and the management of the Portuguese state's emergency stockpiles, a number of facilities and companies must continue to operate, in particular the Sines and Matosinhos refineries, storage facilities, gas stations (including the ones that supply vessels and that fill and distribute LPG bottles), companies that distribute and transport liquid and gaseous fuels and the international airports of Lisbon, Oporto and Faro;
- the continuity of natural gas distribution shall be guaranteed by the relevant entities, who must maintain the operation of the national distribution system and the logistics of liquified natural gas supply, and must also deal with the system's malfunctions, technical assistance to clients, urgent connections and reconnections and service orders that have been scheduled with clients;
- the continuity of electricity and natural gas transmission and natural gas storage must be guaranteed by the relevant entities, who must, in particular, maintain the operation of the electricity and natural gas transmission dispatch and operation centre in Sacavém and Vermoim and of the natural gas storage infrastructure in Bucelas, and respond to incidents and malfunctions situations in the electricity and the natural gas transmission systems' infrastructure;
- in order to guarantee the continuity of electricity distribution, the distribution system operators (including low voltage distribution systems) must implement all necessary measures to manage, operate and maintain the grids, lines, transformation substations and ancillary infrastructures, as well as maintain operation of electricity dispatch, repair malfunctions in street lightning, maintain clients' technical assistance and urgent connections and reconnections and service orders that have been scheduled with clients.

Pursuant to Law no. 7/2020, of 10 April, during the declaration of the state of emergency and the following month, the supply of electricity and natural gas cannot be suspended or interrupted. Law no. 18/2020, of 29 May, had extended this prohibition until 30 September 2020 for any consumers either: (i) undergoing unemployment; (ii) having had a reduction of at least 20 per cent. in income; or (iii) affected by COVID-19.

Additionally, DGEG approved Orders no. 27/2020, of 20 March, and no. 33/2020, of 31 April, determining the following:

- the suspension of the procedural deadlines established by the legislation applicable to the electricity sector as of 16 March 2020;
- this suspension shall cease with the reopening of DGEG's facilities on 1 June 2020 or on a date established by decree-law, whichever occurs first;
- the deadlines ending during the suspension period shall be extended for an additional period corresponding to the number of business days between the beginning of the suspension and the deadline established for such action or formality, starting on the first business day following the DGEG's reopening;
- the submission of the following requests (submitted after March 21) is suspended until the end of May 2020:
    i. capacity reservation titles;
    ii. agreements to obtain grid capacity;
    iii. registration of small-scale and self-consumption power plants, except small-scale units for concept demonstration or experimental projects to be installed in the maritime area or on inland waters, as well as registration requests or communications regarding self-consumption power plants that will not inject energy into the grid;
    iv. generation licenses; and
    v. establishment licenses for grid infrastructures such as lines and substations, with the exception of public or private service infrastructures that may be deemed urgent by the DGEG.

In addition, ERSE approved Regulations no. 255-A/2020, of 18 March, effective as of 13 March 2020, and Regulation no. 356-A/2020, of 8 April, that established extraordinary measures due to the COVID-19 outbreak that were in place until 30 June 2020. These included the following:

- the supply of electricity to normal low voltage clients and of natural gas to low pressure clients with an annual consumption equal or lower than 10,000 m^3 (n) can only be interrupted, for reasons attributable to the clients, after an additional period of 30 days after the period established by the Commercial Relations Regulation;
- defaulting clients may request to pay by instalments (between 6 and 12 monthly instalments with a minimum payment of €5);

- system operators must prioritise all actions destined to guarantee energy supply to priority facilities, such as hospitals and other health facilities, as well as public security and civil protection facilities;
- except for urgent situations with priority clients, distribution system operators, suppliers of last resort and suppliers must avoid all direct contact with the clients at their homes; and
- except for urgent situations with priority clients, the regulatory deadlines applicable to distribution system operators, suppliers of last resort and suppliers in connection with client care are extended for an additional period corresponding to half of the applicable deadline; however this shall not apply to other legal and regulatory deadlines, in particular the ones related to information and report obligations.

The state budget law for 2021 foresees that, during the first semester of 2021, the suspension of essential services (eg. electricity and natural gas) are not allowed. In 2020, Law 18/2020 established a similar initiative, but it applied only for situations of unemployment, reduction of the household income equal or higher than 20 per cent. or COVID-19 infection. Such conditions will now apply only to electronic communications and, for all other essential services, and this inhibition would apply to all consumers.

On 15 January 2021, Decree-Law no. 6-E/2021, established an extraordinary support regime for Portuguese consumers in the payment of the electricity bill. This regime will consist of two distinct parts: (i) the first part will be directed to approximately 800,000 families benefiting from the electricity social tariff, who will benefit from an extraordinary support regime (an extra 10 per cent. reduction in the electricity bill relating to January 2021) during the lockdown period (which was until 16 March 2021) and will be applied directly on the bill of the domestic consumers by the suppliers (attributable on a daily basis during the lockdown period); and (ii) the other part will be aimed at all families with a contracted power of 6.9 kVA or less and which will benefit around 5.2 million consumers, motivated by the sharp drop in temperature for the first 15 days of January 2021 (the discount is made in form of a onetime payment, equal to the amounts applicable to the discount related to the social tariff multiplied by a factor of 15). This extraordinary support regime is borne by the Environmental Fund.

On 29 January 2021, ERSE published Instruction no. 1/2021 that operationalised the extraordinary support regime for consumers in the payment of the electricity bill, in line with that established in the Decree-Law no. 6-E/2021, of 15 January.

Given the persistence of the COVID-19 pandemic and the declaration of state of emergency as of 1 January 2021, and after having approved a set of exceptional and urgent measures in 2020, ERSE approved, through Regulation no. 180/2021, of 2 March, exceptional measures, in particular the adoption of rules for the phased payment of energy bills. On 20 May 2021, Law no. 29/2021 was published, which established that, for a period up to 60 days, it is possible to suspend electricity and natural gas supply contracts for micro and small enterprises and sole proprietorships in a business crisis situation or companies whose premises are closed as part of the measures to control the COVID-19 pandemic. This document also allocates to ERSE the responsibility for defining the application model. Law no. 29/2021, also established that while the suspension is maintained, both parties are released from the obligations arising from the contract.

On 26 May 2021, ERSE published Instruction no. 5/2021, which defines the model for the request for exceptional and temporary suspension of essential services supply contracts in the context of the COVID-19 pandemic, as foreseen by Law no. 29/2021.

On 7 July 2021, Decree-Law no. 56-B/2021 was published, establishing that during the second semester of 2021, the suspension of essential services (eg. electricity and natural gas) will continue to not be allowed.

On 8 August 2021, Decree-Law no. 70-A/2021 was published, amending Decree-Law no. 56-B/2021, and clarifying that the prohibition of suspension of essential services during the second semester of 2021 will apply for any consumers either: (i) undergoing unemployment; (ii) having had a reduction of at least 20 per cent. in income; or (iii) affected by COVID-19.

Market Regulators

Responsibility for regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

DGEG

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. Namely, DGEG is responsible for: assisting in defining, enacting, evaluating and implementing energy policies; promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; supporting the Ministry of the Economy at an international and European level; supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network and the electricity distribution network); approving the issuance, modification and revocation of electricity generation licences; conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector; and issuing opinions concerning the energy sector.

DGEG is also responsible for proposing the Distribution Network Regulation and the Transmission Network Regulation of the Portuguese Electricity System. These regulations identify the assets of both networks and set out the conditions for their operation, notably regarding the control, management and maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. Both the Distribution Network Regulation and the Transmission Network Regulation were approved by Ministerial Order no. 596/2010, of 30 July.

ERSE

ERSE was appointed as the independent regulator of electricity services in February 1997. On 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores and later, in 2006, to the natural gas sector. Recently, Decree-Law no. 57-A/2018, of 13 July, expanded the scope of ERSE's regulatory overview to the sectors of LPG, oil-based fuels and biofuels.

In 2012, Decree-Law no. 212/2012, of 25 September, revised ERSE's statutes with an emphasis on the reinforcement of the regulator's powers, namely those applicable to sanctions. Accordingly, Law no. 9/2013, of 28 January, established the sanctioning regime applicable to the electricity and natural gas sectors and formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in these sectors.

According to ERSE statutes, ERSE is responsible for the establishment and for the approval of tariffs and regulated prices for electricity and natural gas. No later than 15 December of each year, ERSE publishes a document defining the allowed revenues of the regulated activities and the electricity tariffs for the following year. The procedure is identical for gas, but with nearly a 6-month lag, taking place no later than 1 June of each year. Every three years, ERSE publishes a document containing the parameters for each new regulatory period. The tariffs and prices for electricity and other services in 2020 were approved by ERSE Directive no. 12/2019, of 16 December 2019. The tariffs and prices for natural gas in the gas year 2019-2020 were approved by ERSE Directive no. 12/2019, of 31 May, published in the Portuguese official gazette on 1 July.

The approval of the main regulations applicable to the Portuguese electricity and natural gas systems is also assigned to ERSE as set forth below:

(i) The Electricity Tariff Code (Regulation no. 619/2017, of 23 November, published in the Portuguese official gazette on 18 December, as amended by Regulation no. 76/2019, of 13 December and published in the Portuguese official gazette on 18 January and further amended by Regulation no. 496/2020, of 12 May, published in the Portuguese official gazette on 26 May) and the Natural Gas Tariff Code (Regulation no. 368/2021, published in the Portuguese official gazette on 28 April, revoked by Regulation no. 461/2019, of 23 April) established the methodology for determining the allowed revenues of the regulated companies and setting the regulated tariffs, including the criteria to settle the tariff structure.

(ii) The Electricity and Gas Commercial Relations Code (Regulation no. 7/2020, of 9 December, published in the Portuguese official gazette as Regulation no. 1129/2020 on 30 December) set the provisions governing the commercial and contractual relationship between the agents operating in the electricity and gas sectors, including the commercial conditions under which the connection to the energy grid can be established and the rules to be observed in the process of switching suppliers.

(iii) The Quality of Service Code (Regulation no. 406/2021, published in the Portuguese official gazette on 12 May, revoked Regulation no. 629/2017, of 23 November, published in the Portuguese official gazette on 20 December) set the standards for the technical and commercial quality of service to be rendered in all services provided by the network operators and suppliers of the Portuguese electricity and natural gas systems.

(iv) The Electricity Access to the Network and Interconnections Code (Regulation no. 560/2014, of 10 December, published in the Portuguese official gazette on 22 December, amended by Regulation no. 620/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Access to the Networks, Infrastructure and Interconnections Code (Regulation no. 407/2021, published in the Portuguese official gazette on 12 May, revoked Regulation no. 435/2016, of 14 April, published in the Portuguese official gazette on 9 May, amended by Regulation no. 362/2019, of 1 April, published in the Portuguese official gazette on 23 April) defined the technical and commercial conditions under which third parties may access the energy infrastructure, including the criteria for the network operators to refuse access.

(v) The Electricity Networks Operation Code (Regulation no. 557/2014, 10 December, published in the Portuguese official gazette on 19 December, amended by Regulation no. 621/2017, of 23 November, published in the Portuguese official gazette on 18 December) and the Natural Gas Infrastructure Operation Code (Regulation no. 341/2021, published in the Portuguese official gazette on 14 April) laid down the procedures for managing the electricity/natural gas flows in the electricity transmission network/ natural gas transmission network, underground storage facilities and LNG terminals, while ensuring interoperability with the networks connected to these infrastructures.

Portuguese Competition Authority

Portugal's competition act, Law no. 19/2012, of 8 May, has been in force since 8 July 2012 and follows closely the wording of the fundamental anti-trust provisions contained in the TFEU and of the EU Merger Control Regulation.

Competition rules in Portugal are enforced by an independent agency, AdC. To that end, AdC has a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. AdC is expected to strengthen its investigation powers shortly as a result of the upcoming implementation of Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market. On 20 May 2021, the Council of Ministers submitted the implementing bill to the Portuguese parliament for its approval. AdC will notably gain the power to access any technological device, including smartphones, tablets, or cloud servers, to seize evidence in antitrust investigations, whereas thus far AdC has only inspected computers.

AdC may also impose fines on companies and individuals that do not comply with EU and Portuguese competition rules. Penalties can amount to 10 per cent. of a group's annual turnover or 10 per cent. of an individual's annual income in the previous year.

SPAIN

Electricity Sector: Regulatory Framework

1. Overview

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market since 1998 (also referred to as the **Spanish Pool**), and the fact that all consumers have been free to choose their supplier since 1 January 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have made up a larger part of the market.

All generators provide electricity at market prices to the Spanish Pool and under bilateral contracts to consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool. Foreign companies may also buy and sell in the Spanish pool and in the forward markets.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*Regulatory framework—Iberian Peninsula—MIBEL Overview*"), while Red Eléctrica de España, S.A. (**REE**) is the operator and manager of the transmission grid and sole transmission agent. REE, as the transmission company, together with the regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll for the transmission and the distribution.

Comisión Nacional de los Mercados y la Competencia (**CNMC**) is the national regulatory authority of the Spanish energy markets according to Law 3/2013.

Liberalised suppliers are free to set a price for their customers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs and charges to be paid to the distribution companies. Electricity generators and suppliers or consumers may also engage in bilateral contracts without participating in the wholesale market.

As from 1 July 2009, last resort suppliers, appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose

contracted power is less than or equal to 10 kW). Since then, distributors have not been permitted to supply electricity. In January 2014, the last resort tariff was replaced by the "Voluntary Price for the Small Consumer" (*Precio Voluntario para el Pequeño Consumidor*) (**PVPC**).

Royal Decree-Law no. 6/2010 created a new player responsible for developing the supply of energy to recharge electric vehicles. However, since the introduction of Royal Decree-Law 15/2018, customers meeting certain requirements are allowed to supply energy to recharge electric vehicles without licencing.

As part of the unbundling of the TSOs, Spanish distributors sold their remaining transmission assets to REE in 2011, completing the process required by Law no. 17/2007, which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012 and Royal Decree-Law 1/2019, Directive 2009/72/EC has been transposed to the Spanish regulation.

Royal Decree-Law no. 9/2013, of 13 July, included a set of regulatory modifications applicable to the Spanish electricity sector that affected the return ratio of energy assets between 2013 and 2019. These modifications were confirmed by the enactment of Law no. 24/2013 of the Electricity Sector, of 26 December, and were primarily aimed at eliminating the tariff deficit. The main modification directly implemented by Royal Decree-Law no. 9/2013 was that the return ratio pre-tax of regulated activities was indexed to the yield associated with Spanish ten-year sovereign bonds plus a spread. The spread mentioned above for distribution and transmission activities was established at 100 basis points for the second half of 2013 and has been set at 200 basis points between 2014 and 2019. The spread for renewable and combined heat and power (**CHP**) generation has been set at 300 basis points since the enactment of Royal Decree-Law no. 9/2013.

Following the enactment of Law no. 24/2013, the Spanish government implemented a set of additional royal decrees that included modifications to regulations governing all activities relating to the provision of energy, including renewables, electricity distribution and transmission, as further detailed in the following sections.

Royal Decree-Law no. 7/2016 established that discounts in tariffs to vulnerable customers (**Social Voucher**) would be supported by all supply companies. Royal Decree no. 897/2017 established requirements to become vulnerable customer and the applicable discounts.

Royal Decree-Law no. 15/2018 banished charges and access tariffs to self-customers and allows the shared self-consumption (which is, in effect, a pooling system for consumers). However, some points of this decree are still not in force until further regulatory development.

Royal Decree-Law no. 17/2019 set the return ratio for renewable and CHP plants at 7.09 per cent. with effect from 1 January 2020. However, the power plant may maintain the previous return ratio (7.4 per cent. for power plants built before July 2013 and 7.503 per cent. for power stations built since July 2013) if the owner of the power plant gives up all lawsuits and arbitration processes against the remuneration scheme approved after Royal Decree no. 661/2007.

Royal Decree-Law no. 1/2019 gave CNMC the powers to set the return ratio for electricity transmission and distribution activities. Thereby, Circular 2/2019 of CNMC established that, with effect from 1 January 2020 onwards, the return ratio for these activities will be 5.58 per cent. according to a weighted average cost of capital (**WACC**) methodology. For 2020, as an exceptional measure, a financial remuneration rate of 6.003 per cent. will also be applied.

The National Strategy for the Energy Sector and the Climate Change and Energy Transition Law

Following the publication of Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, the Spanish government elaborated a draft National Energy and Climate Plan (**PNIEC**) in March 2019 as well as a draft Law for Climate Change and Ecological Transition where the Spanish objectives for 2030 were appointed. These documents were subject to a public hearing. According to the documents published on the web page of the Ministry for the Ecological Transition, energy consumption from renewable resources will have to be at least 35 per cent. by 2030 (more than 70 per cent. in the electricity sector), which implies at least 3.000 MW of new renewable capacity in the electricity sector every year. The final Spanish PNIEC has been assessed positively by the EC.

In the first semester of 2021, progress in the development of the PNIEC focused on actions such as the approval of the Energy Storage Strategy, the publication of the proposed "Roadmap for Offshore Wind and Marine Energies", the "Biogas Roadmap" and the development of the "Just Transition Strategy" (which aims to promote regions where coal or nuclear power plants are being closed).

In May 2021, the Climate Change and Energy Transition Law was published (Law 7/2021). This will be the regulatory framework which will underpin the Spanish government's future environmental regulations and is in line with the EU's climate strategy and the Paris Agreement.

The Spanish government's commitment to decarbonisation was reflected in the emission reduction targets in the diffuse sectors (mobility, thermal uses in buildings, waste or agriculture) which, with a cut of 39 per cent., is 13 per cent. above the target of 26 per cent. set by the EU. Similarly, whilst the EU targets renewable energy consumption

between 38-40 per cent. and energy efficiency between 36-37 per cent. by 2030, the PNIEC establishes a 42 per cent. and 39.5 per cent. target for Spain, respectively.

Electricity Sector Act

The enactment of Law no. 54/1997 on the electricity sector gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalisation. Law no. 54/1997 was intended to guarantee that the supply of electricity in Spain is provided at high quality and lowest possible cost. In order to achieve those targets, the Electricity Sector Act provides for:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalised activities (generation, trading, international transactions and energy supply for recharging electric vehicles);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalised activities;
- the ability of all consumers to select their electricity supplier and their method of supply as of 1 January 2003;
- the right of all operators and consumers to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and
- the protection of the environment.

Law no. 17/2007 amended Law no. 54/1997, bringing it into conformity with Directive 2009/72/EC, with the intention of reconciling the liberalisation of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimising environmental damage. Royal Decree-Law no. 13/2012 built upon the achievement of that target by introducing Directive 2009/72/EC in the Spanish regulation.

In December 2013, a new electricity sector act (Law no. 24/2013) entered into force substituting Law no. 54/1997 (the **Electricity Sector Act**). This law is based on the reforms announced by the Ministry of Industry in July 2013 and maintains the main principles of Law no. 54/1997, but reinforces the objectives of economic and financial sustainability in the electricity sector, thus preventing a new tariff deficit. This law has been amended several times to adapt to new situations in the sector (for instance, self-consumption or social voucher).

Recent regulatory developments

In May 2021, Royal Decree-Law 8/2021 established a series of extraordinary measures relating to economic and social vulnerability that, amongst other things, extended the COVID-19 state of alarm in Spain until 9 August 2021.

On 23 June 2020, the Spanish government approved a Royal Decree-Law contemplating new regulatory measures concerning renewables, electricity distribution networks and connection points available as a result of the closure of large legacy power plants:

- *Support to electricity networks*: according to the government, with the objective of alleviating the effects of the COVID-19 crisis and ensuring the liquidity of the electricity system in the short term, the use of the cumulated tariff surplus is enabled to cover the eventual imbalances and deviations between income and costs in 2019 and 2020. The procedure shall be specified by Ministerial Order. In addition, the Decree-Law exceptionally adjusts the percentages of GDP that govern the maximum investment dedicated to transport and distribution networks in the three-year period 2020-2022, to allow networks operators to maintain the investment plans originally foreseen before the COVID-19 crisis.
- *Access points to the electricity network freed up by the closure of legacy thermal plants*: Royal Decree-Law 17/2019 already stated that the government will regulate "procedures and establish requirements for the granting of all or part of said capacity". This new Royal Decree Law allows the Ministry to ask the system operator to determine the amount of capacity freed with the closure and exempts this capacity from the moratorium of new access requests.
- *New rules for keeping renewable permits*: the Decree-Law establishes a series of administrative milestones for keeping renewable permits obtained after 27 December 2013; the developers must certify compliance with each of these conditions, including obtaining the favourable environmental impact declaration and the administrative construction authorisation in a specific period of time. Otherwise, the permissions will expire automatically and, if applicable, the economic guarantees required to apply for authorisation will be executed. The last term ends five years after the first of permissions or the entry into force of the Royal Decree-Law. In addition, a moratorium on new access requests to new connection points is established: they cannot be requested until a new regulation on these permits has been approved, which must be approved by the Spanish government and the regulator CNMC, within a period of three months from the publication of the Decree-Law. Self-consumption facilities are awarded an exemption to this moratorium.

- *A new auction system for renewables will be implemented*: the principle of the new auction system, which will be based on lowest price offered rather than on lowest capex per MW offered, is to offer predictability and stability of income and financing to the investors of the new renewable plants; and, on the other hand, to directly transfer to consumers the savings associated with the incorporation of renewable energies into the electricity system.

- *Storage and hybrid facilities will be regulated*: the Decree-Law also incorporates into the Spanish legal system new business models that offer opportunities for economic growth, employment and improvement of competitiveness, according to the government. This is the case of energy storage, which is regulated by this regulation and will make it possible to manage and optimise the energy generated in the new renewable plants; and hybridisation, which makes it possible to combine various technologies – PV and wind, for example – in the same installation. According to the government, with this, the utilisation of the existing electrical networks is optimised and the environmental impacts are minimised, taking full advantage of the locations of the plants. With this Royal Decree-Law, overpowering in existing power stations is allowed if it does not use additional capacity of the grid.

- *New supply and demand aggregators*: additionally, the model of the independent aggregator is incorporated. This new business model is based on combining the demand of several electricity consumers or that of several generators for their participation in different segments of the market.

On 24 June 2021, Royal Decree-Law 12/2021 was adopted. This introduced measures relating to energy taxation and generation and temporarily modified the energy taxation regime. As a result, until 31 December 2021, a reduced VAT rate of 10 per cent. will be applied to consumers with power less than or equal to 10 kW when the market price exceeds €45/MWh, as well as to vulnerable consumers in receipt of social voucher of electricity.

2 The Electricity Value Chain

A. Electricity Generation

Generation facilities have several methods of contracting for the sale of electricity and determining a price for the electricity:

- *Wholesale energy market or pool*: This pool was created on 1 January 1998 and includes a variety of transactions that result from the participation of market agents (including generators, suppliers and direct consumers and, until 30 June 2009, distributors) in daily and intra-day market sessions.

- *Bilateral contracts*: Bilateral contracts are private contracts between market agents, where terms and conditions are freely negotiated and agreed. Information about these contracts must be given to the energy market in order to retain transparency within the electricity industry.

- *Auctions for purchase options or primary emissions of energy:* Principal market participants could be required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a specified period. However, these options are currently not regulated in Spain.

These sales can be subject to Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (**REMIT**). REMIT imposes certain obligations on market participants, mainly transparency and information obligations. It is compulsory for members of the EU.

Power plants also participate in ancillary services markets managed by the system operator, REE. Participation is mandatory for some of these services and for certain kind of power plants.

Until December 2013, power plants that used renewable, waste and CHP energy sources were regulated under a "special regime", but the distinction between an ordinary and a special regime ceased to apply after the enactment of Law no. 24/2013.

Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. This regime established an investment incentive, for a period of ten years, set at an initial amount of €20,000 per MW installed, later increased to €26,000 per MW installed by Order ITC/3127/2011 and lowered to €10,000 per MW installed by Royal Decree-Law no. 9/2013.

Law no. 15/2012 imposed a set of taxes on generators in order to cover the costs of the electricity system: (i) a 7 per cent. generation tax on income from electricity output; (ii) a 22 per cent. charge on the use of inland water for electricity generation (increased to 25.5 per cent. by means of Royal Decree-Law 10/2017, of 9 June); (iii) a tax on the production of nuclear waste and a tax on storage of this waste; (iv) a tax on natural gas of €0.65/GJ applying to all natural gas consumers (derogated by means of Royal Decree-Law 15/2018 since October 2018); (v) a tax on coal of €0.65/GJ applicable to generators; and (vi) a tax on fuel oil of € 12.00/tonne and tax on gas oil of € 29.15/litre applicable to generators. Royal Decree-Law 15/2018 also temporarily suspended the application of the 7 per cent. tax

on income from electricity output during the fourth quarter of 2018 and first quarter of 2019. Royal Decree Law 12/2021 suspended 7 per cent. of the tax on the value of electric power production for the third quarter of 2021.

Law no. 24/2013 also foresees the temporary closure of generation facilities, which would be subject to a prior administrative authorisation scheme.

Royal Decree-Law 15/2018 of October 2018 modified Law 24/2013 creating a new framework for promoting self-consumption. Since then, access tariffs or charges for self-generated energy (the informally called “sun tax" that was created by Royal Decree no. 900/2015) were banished and self-customers only have to pay access tariffs if they use the distribution network. Royal Decree 244/2019 of April 2019 established the new administrative, technical and economic regime for self-consumption allowing shared self-consumption, the use of the distribution network for exchanging self-generated energy in the proximity of the self-customers and also a simplified remuneration mechanism where self-customers can opt for getting a discount in their energy invoices if they deliver their excess generation to their supplier (**net billing**).

In November 2019, CNMC passed Circular 3/2019 regulating the wholesale markets, balancing and non-frequency services of the electricity system, according to the new responsibilities given by Royal Decree-Law 1/2019 and several European regulations (Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management, Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation, Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation, Regulation (EU) 2017/2195 establishing a guideline on electricity balancing and Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration).

In April 2021, a Ministerial Order Proposal for the development of a Capacity Market in Spain was published. The aim is to develop a mechanism to support the firm capacity of, primarily, the CCGT and storage systems, to avoid coverage problems. It is configured as a centralised mechanism based on "pay as bid" auctions for two types of products: (i) one-year firm capacity for existing technologies; and (ii) five-year firm capacity for new technologies. The proposal will require the approval of the EC.

In June 2021, the Spanish government published a preliminary draft of its CO2 reduction law. This law establishes a rate for non-emitting carbon technologies with "chemical oxygen demand" prior to 2003 based on the price of CO_2.

Specific remuneration regime for renewables, CHP and waste generation

Prior to July 2013, the electricity system was required to acquire the electricity offered by special regime generators at tariffs that were fixed by a royal decree or order and that varied depending on the type of generation. These tariffs were generally higher than the average Spanish electricity market prices. Application of the Spanish special regime was discretionary for companies that owned eligible facilities. Generally, eligible facilities were those with an installed capacity of 50 MW or less that used cogeneration, CHP, waste or any renewable energy source as their primary energy.

Royal Decree no. 661/2007 provided the previous regulation of the Spanish special regime. This decree was framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this decree, Spanish special regime power facilities could select between a fixed tariff or to participate in the market. If the generator sold electricity in the market, it received the market price plus a premium, subject to a cap and floor on final prices.

However, since January 2012, the special regime has suffered several adjustments as part of the measures taken by the Spanish government to ensure the financial sustainability of the electricity system:

(i) In January 2012, Royal Decree-Law no. 1/2012 suspended feed-in tariffs and premiums for new projects.

(ii) In December 2012, Act no. 15/2012 introduced a tax on energy generation (7 per cent. of incomes).

(iii) In February 2013, Royal Decree-Law no. 2/2013 encompassed a set of regulatory modifications mainly the elimination of the premium, cap and floor schemes.

(iv) In July 2013, Royal Decree-Law no. 9/2013 changed the remuneration scheme of the special regime and repealed Royal Decree no. 661/2007.

(v) The new scheme was confirmed by Law no. 24/2013, of December 2013, replacing the “special regime” with the “specific remuneration regime”.

As a consequence of the enactment of Royal Decree-Law no. 9/2013, in July 2013, during the first regulatory period, which applies from July 2013 to December 2019, the return ratio pre-tax during the remaining useful life of the assets under the special regime must be equal to the yield associated with Spanish ten-year sovereign bonds plus a spread of 300 basis points. The new return ratio pre-tax has been set at 7.4 per cent. during the regulatory life of the

power plant (20 years in the case of existing wind generation, 25 years in the case of CHP generation and generation from waste, and 30 years in the case of PV generation).

As a result of the enactment of Law no. 24/2013, in December 2013, the special regime for renewables, CHP and waste generation was replaced by a specific remuneration regime which applies to the facilities that were regulated under the special regime prior to July 2013. As of July 2013, any new facilities that would have been eligible facilities under the special regime receive the same treatment as facilities that belong to the ordinary regime, the only difference being the regulated supplements that are received from the specific remuneration regime.

The specific remuneration additional to market revenues consists of: (i) a capacity supplement in €/MW to cover investments not recovered in the market; and (ii) an operation supplement in €/MWh when operating costs cannot be recovered in the market (applicable for CHP generation, generation from waste, and PV generation). This specific remuneration is calculated taking into account standard installations throughout the regulatory life of the power plant, and assuming an efficient and well-managed company. The granting of this specific remuneration scheme for new facilities will be determined on a competitive basis through auctions. The result of the auctions will determine the value of the supplement in €/MW applicable.

Royal Decree no. 413/2014, published in June 2014, established the detailed regulation applicable to the specific remuneration regime. Remuneration values for the first half of the six-year regulatory period for power plants under the special regime prior to July 2013 were set out in Ministerial Order no. 1045/2014. Order ETU/130/2017, published in February 2017, set the remuneration parameters of the second regulatory semi-period 2017-2019. Order TED 171/2020 published in February 2020 did it for period 2020-2022.

The amount of the capacity supplement for existing wind farms varies depending on the year the power plant went into operation and will be paid for 20 years after the power plant was commissioned. Interim revisions are conducted every three years to correct deviations from the expected pool price. Farms with a commissioning date earlier than 2004 were not given any capacity supplement. EDP Renováveis installed capacity in Spain, according to the start-up date, was 9 per cent. up to 2003, 39 per cent. installed between 2004 and 2007 and 52 per cent. from 2008 onwards.

In October 2015, the Spanish government called the first auctions of 200 MW of biomass and 500 MW of wind farms with this new system through Royal Decree 947/2015.

On 12 April 2017, the Spanish government authorised auctions of up to 3 GW of specific remuneration for renewable facilities in mainland Spain in accordance with Royal Decree 359/2017. In accordance with this Decree, an auction was held on 17 May 2017 which awarded 3 GW (almost all of which related to wind capacity). On 25 May 2017, the Spanish government announced that a new auction of 3 GW would take place, with substantially similar rules as the previous auction. This auction was held on 25 July 2017 and awarded a total of 5 GW of renewable capacity (4 GW of solar and 1 GW of wind capacity). No new auctions have since been made.

In December 2018, the Ministry for Ecological Transition published a draft Law for establishing the new return ratios for regulated activities in Spain for the new regulatory period 2020-2025. According to a previous report made by CNMC, the Ministry proposed a new ratio pre-tax of 7.09 per cent. for renewable and CHP power plants with the possibility of keeping the ratio of 7.4 per cent. if the owner of the power plant gives up all lawsuits and arbitration processes against the remuneration scheme approved after Royal Decree no. 661/2007. This law was approved urgently in November 2019 as Royal Decree-Law 17/2019.

In March 2019, the Ministry for Ecological Transition published a draft law for Climate Change and Ecological Transition for public hearing where they stated the Spanish government's intention of establishing a new auction system and the remuneration regime for new auctions of renewables in order to allow a fixed price of the energy produced by the power plant during its lifetime. In order to accelerate the entry into force of this new system, the Spanish government approved in June 2020 Royal Decree-Law 23/2020 to implement it as soon as possible. Following this Decree, the Ministry for the Ecological Transition launched a public consultation about the detailed regulation of this new remuneration mechanism that will be awarded by auctions of renewable energy, renewable power or both. The decree will allow the Ministry to make different auctions for each technology, geographical location or other criteria. The Ministry announced that they are working to launch the first auction under this new system during 2020. The rules of this new remuneration mechanism were approved in October and December 2020 through Royal Decree 960/2020 and Ministerial Order TED 1161/2020.

This last ministerial order also includes a preliminary schedule of the auctions for the period 2020-2025.

	MW (accumulated from 2020 on)					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Wind	1.000	2.500	4.000	5.500	7.000	8.500

PV	1.000	2.800	4.600	6.400	8.200	10.000
Thermosolar		200	200	400	400	600
Biomass		140	140	260	260	380
Others (biogas, hydro, …)		20	20	40	40	60

Royal Decree-Law 23/2020 introduced several administrative milestones that have to be fulfilled by the owners of the access permits granted since 2013 otherwise they might lose the permits. Additionally, this Royal Decree-Law established a moratorium that prevents promoters from asking for new access permits until a new regulation for awarding access permits was approved by the Spanish government and CNMC. In July 2021, the moratorium was lifted after CNMC established the new methodology and conditions of access.

The authorisation of renewable, CHP and waste plants with a capacity of up to 50 MW falls within the authority of regional governments due to their small size. However, as a result of Royal Decree-Law no. 6/2009, since 2009 all facilities have had to be entered in a register managed by the Ministry of Industry in order to benefit from the premiums and tariffs of the Spanish special regime (Royal Decree 661/2007), and since 2013 the specific remuneration scheme created by Royal Decree-Law no. 9/2013.

The first renewable energy auction held under the new regulatory framework of Royal Decree 960/2020 and Order TED/1161/2020 took place on 26 January 2021. Approximately 3,000 MW were auctioned, of which 1,000 MW were reserved for wind technology and another 1,000 MW for PV.

B. Electricity tariffs, supply and distribution

Since January 2003, all consumers have become qualified consumers. All of them may choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organised market or through bilateral contracts with producers. Royal Decree-Law 15/2018 also foresees other ways of acquiring electricity directly from producers but further regulatory development is required.

Last resort supplier

With the adoption of the Last Resort Supply (Suministro de Último Recurso) on 1 July 2009 (Law no. 17/2007 that amended Law no. 54/1997 on the electricity sector in order to adapt it to the Electricity Directive), the regulated tariff system was replaced by a last resort tariff system. Last resort tariffs (now the PVPCs) are set by a methodology approved by the Spanish government on an additive basis and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kW. According to Royal Decree no. 216/2014, the last resort tariff is calculated taking into account the sum of the following components: (i) costs of the electricity generation (which is indexed to the Spanish hourly pool price); (ii) access tariffs; and (iii) regulated costs of supply management.

Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

The regulated cost of supply management methodology was approved by Royal Decree 469/2016. Ministerial Order ETU/1948/2016 established the cost of supply during 2017 and 2018. Due to several Supreme Court decisions, and according to the referred Ministerial Order, the regulated cost of supply in the last resort market between 2014 and 2016 had to be re-invoiced to customers during 2017 and 2018. The cost of supply for 2019 onwards is still not regulated by the Ministry for Ecological Transition so the Ministerial Order TEC/1366/2018 established that the values for 2018 will remain until further instructions.

Remuneration to distribution activities

Electricity transmission and distribution activities are regulated given that their characteristics impose severe limitations on the possibility of introducing competition.

(i) Regulatory framework 2008-2013

The regulatory framework established in 2008 changed the manner in which electricity businesses receive payments in order to promote efficiency and quality of service. The regulations take into account since then the investment and operational costs related to transmission activities. Fixed remuneration for distribution is based on investment and operational and maintenance costs.

Until July 2013, remuneration to distribution activities was determined by Royal Decree no. 222/2008 and later by Royal Decree-Law no. 13/2012, which had already established that capital costs would only be paid for net assets and postponed the beginning of the remuneration until the second year after new assets have been brought into operation. The settlement system among distributors is detailed in Royal Decree 2017/1997.

(ii) Regulatory framework 2013-2019

Between 2013 and 2019, the economic regime for distributors was contained in Royal Decree-Law no. 9/2013, Law no. 24/2013, and Royal Decree no. 1048/2013 and Ministerial Order IET 2660/2015, and the settlement system among distributors is still contained in Royal Decree no. 2017/1997.

In July 2013, there was a change in the methodology used to remunerate distribution and transmission activities. The main change introduced was setting the return ratio of energy assets based on the yield associated with Spanish ten-year sovereign bonds plus a spread, set at 100 basis points for the second half of 2013 and 200 basis points from 2014 until at least the end of 2019. Royal Decree no. 1048/2013, approved in December 2013, established the general remuneration framework which was mainly based on the RAB. This RAB is determined by taking into consideration audited physical units affected by efficiency factors. After approval of Royal Decree no. 1073/2015, Ministerial Order IET 2660 and Ministerial Order no. IET 980/2016, the new remuneration model has come into effect producing a substantial improvement in EDP's remuneration through its subsidiary, Hidrocantábrico Distribución. In the meantime, Royal Decree-Law no. 9/2013 established a transitory phase of the remuneration scheme between 2013 and 2015.

Ministerial Order no. IET 980/2016 approved remuneration for 2016 under the new regime. No new ministerial orders were published yet with the remuneration of the following years due to the subsequent facts. Transiently, until the Ministerial Orders are approved, the values of Ministerial Order IET 980/2016 have been used to determine the settlements of the last years.

The Supreme Court's decision of 25 October 2017 ordered the Ministry to increase the RAB calculated in Ministerial Order no. 980/2016 to compensate all distributors for an incorrect valuation of assets transferred from customers. In June 2019, Order TEC/490/2019 established a new methodology for implementing the Supreme Court's decision and, in February 2021, Order TED/203 established the parameters of the remuneration for 2016. However, this order only captured distribution companies that had received a final judgment estimate, which neither Hidrocantábrico Distribución Eléctrica nor Viesgo (or its subsidiary Viesgo Distribución and Begasa) has.

In April 2018, the Spanish government declared that the remuneration established in the Ministerial Order IET 980/2016 was prejudicial for customers. The Ministry of Energy considered that the parameter remaining useful life of the assets, which formula it is contained in Annex VI of Ministerial Order IET 2660/2015 was wrongly estimated, in favour of some distributors (including Hidrocantábrico Distribución) and harming the interest of electricity customers ("lesividad"). According to the Ministry, the gross value of assets which is in the denominator of the formula of remaining life, should have included all the assets instead of deducting the fully depreciated elements. This declaration of "*lesividad*" allowed the Ministry of Energy to appeal this Order before the Supreme Court.

In May 2020, the Supreme Court sentenced that the Ministerial Order IET 980/2016 was unlawful so remaining useful life of every distributor with more than 100,000 supply points (among them Hidrocantabrico Distribucion and Viesgo Distribución) became inapplicable, as well as the other parameters deriving from it – i.e. the RAB and the remuneration. According to the sentence, the Ministerial Order should not have deducted all the fully depreciated elements in the gross value of assets in the formula of the remaining useful life, but it could have deducted the elements out of service. This consideration may smoothen the impact of the recalculation of the RABs. The Ministry can now update the remaining life through a new Ministerial Order, and thus the RAB and the remuneration since 2016, taking into account what the Supreme Court stated.

In November 2020, CNMC published a report determining the remaining useful life of the affected distributors with two alternatives: deducting elements out of service and not deducting elements out of service. The yearly remuneration of Hidrocantábrico will be reduced by €4 million, if elements out of service are deducted (from the determination of the useful life of affected distributors), or by €13 million, if not. This report must be validated by the Ministry which will set out the final outcome of the "*lesividad*" process. This report has not yet been published although it is anticipated there may developments by the end of 2021.

(iii) Regulatory framework 2020-2025

Royal Decree-Law no. 1/2019 defined that starting from the new regulatory period 2020-2025, CNMC is responsible for approving the methodology and values for remunerating distribution and transmission as well as the new return ratio. A CNMC report of October 2018 estimated that the new return ratio for the new regulatory period should be 5.58 per cent. according to a WACC methodology. In July 2019, CNMC launched a draft circular (piece of legislation to be approved by CNMC board) establishing the regulated return ratios for distribution and transmission of both electricity and gas system in their respective new regulatory periods. For electricity distribution, CNMC maintained the proposed value of 5.58 per cent. The draft circular was under public consultation until 9 August and it was approved in November 2019 as Circular 2/2019. By means of a law, the Spanish state can as well put an upper limit to the ratio fixed by CNMC if the law is approved before starting the new regulatory period.

In July 2019, CNMC launched several draft regulations where it established the methodology of remunerating distribution and transmission of electricity in period 2020-2025. The new methodology for electricity distribution was finally approved by means of Circular 6/2019. The new methodology will maintain the recognised RAB and OPEX in 2020 (and may take into account the effect on RAB of the Sentence of the Supreme Court regarding the "lesividad" process), but it will introduce several adjustments in the way of calculating OPEX of the following years (for instance by means of an efficiency factor or eliminating the "delay" factor that recognised financial costs in the OPEX). According to the CNMC report accompanying the draft regulation, the average impact in sector's remuneration during the regulatory period would be up to -7 per cent. However, EDP's subsidiary may be less impacted than its peers due to an improvement of quantities destined to incentives of quality and losses. The values of remuneration of 2021 for each company may be approved after a public hearing once the "lesividad" process is finished.

Access tariffs, charges and regulated prices

In accordance with the provisions of Law no. 24/2013, regulated energy costs are paid from access tariffs and prices applicable to consumers and from specific items from the National Budget (Law no. 15/2012). Regulated incomes must be sufficient to cover all regulated costs, including transmission and distribution costs, specific remuneration schemes costs, and other costs. The electricity system costs have to be funded through access tariffs, charges and other regulated prices. Access tariffs and regulated prices are uniform throughout Spain, although regional extra costs, if approved, may be added to the tariffs.

Until 2019 all the regulated prices were established by Ministerial Order of the Minister of Energy. However, from April 2021 onwards the portion of access tariffs that is designated to cover transmission and distribution costs should be fixed by the national regulatory authority CNMC in order to fulfil Directive 2009/72/EC transposed through Royal Decree Law 1/2019. To achieve this task, CNMC has elaborated a methodology to determine the access tariffs approved in January 2020 by means of Circular 3/2020. The Ministry of Energy will establish the charges to cover for other costs of the system using a methodology that is expected to be established during 2020. The Ministry launched a public consultation in June 2020 about this issue.

Given that there was a delay in the approval of the charges methodology and since the new methodologies were not applicable until April 2021, the Ministry approved Orden TEC/1258/2019 to keep the current access tariffs and charges until the new methodologies could be applied.

Regarding generators, between 2011 and 2020, all facilities were obliged to pay access tariffs for the energy they inject in the distribution and transmission grid (Royal Decree-Law no. 14/2010). However, the new Circular 3/2020 of CNMC waived this obligation for generators and batteries as of 24 January 2020.

On 1 July 2009, the regulated system of electricity tariffs was extinguished. Since then, distributors have ceased to supply electricity, and function only as network operators. Accordingly, from that date, all consumers have been in the liberalised market. However, Royal Decree no. 216/2014, provides that the low voltage final consumers who use 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort (called comercializadores de referencia), among which was EDP's former subsidiary, BASER Comercializadora de Referencia, S.A. As of 1 December 2020, EDP does not carry out any last resort supply activity.

Supply authorisations

Following the approval of Law 25/2009, prior to commencing the supply of electricity, suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in the supply, which includes a confirmation of: (i) the dates for beginning and ending their supply activity; (ii) proof of their capacity for the development of the supply; and (iii) the guarantees required. CNMC is entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated the commencement of their supply.

Last resort suppliers may acquire electricity in the spot or forward markets to meet last resort demand. In Spain, following the enactment of Royal Decree-Law no. 17/2013, last resort suppliers are no longer permitted to hold energy auctions to purchase electricity.

Due to the disappearance of the Supplier Switching Office (*Oficina de Cambio de Suministrador*, **OCSUM**), the CNMC supervises the process for consumers changing their electricity supplier under principles of transparency, objectivity and independence. CNMC also maintains a price comparison tool for household suppliers.

Energy efficiency obligations

Law no. 18/2014 implemented Directive 2012/27/EU of Energy Efficiency, establishing mandatory contributions from suppliers of gas, electricity and petroleum products to a National Energy Efficiency Fund in order to support efficiency measures to comply with that Directive. Every year a Ministerial Order is published with the mandatory contributions to this fund, which includes subsidiaries of EDP. The ministerial order of 2021 is Order TED/275/2021.

Tariff Deficit in electricity sector

Regulatory developments in the electricity sector in Spain during 2012 and 2013 were aimed at eliminating the tariff deficit in order to ensure the sustainability of the system. These measures have contributed to the following positive developments: (i) the definitive settlements of 2014-2017 produced a surplus of more than €1,600 million; (ii) in 2015, the Spanish government approved two reductions of the regulated prices of capacity paid by consumers through Royal Decree-Law no. 9/2015 and Ministerial Order no. 2735/2015 in August 2015 and December 2015, respectively; and (iii) in October 2018, the government approved the elimination of a green tax on natural gas power plants of €0.65/GJ since an increase of revenues coming from CO_2 allowances auctions had been produced.

However, according to a CNMC report of February 2021, the past debts of tariff deficit amounted to €14,294 million as of 31 December 2020 (more than €2,300 million less than in 2019), none of which is currently being financed by electric companies. Deficits prior to 2014 were securitised as described below.

Law no. 24/2013 provides that access tariffs, regulated prices and other regulated income must be sufficient to recover the full costs of the regulated activities without any deficit. Although some deficit was permitted until 2013 (as provided by Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010), Law no. 24/2013 limits tariff deficits incurred as of 2014 to a 2 per cent. yearly cap.

The deficit produced up to 2012 was fully transferred from the electricity companies to a Securitisation Fund called Depreciation Fund of Electric Tariff Deficit (**FADE**), which is guaranteed by the Spanish State Budget. Financing costs of FADE are included in the regulated costs to be recovered through access tariffs.

In 2012 and 2013 the Spanish government took important steps in order to address the key aspects of the problem of the tariff deficit:

(i) Royal Decree-Law no. 1/2012 suspended temporarily all new renewable premiums.

(ii) Royal Decree-Laws no. 13/2012 and 20/2012 reduced system costs in 2012 up to €1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in €700 million from some budget surpluses. Some of these measures were only in force during 2012.

(iii) Access tariffs were updated as from April 2012 to all customers resulting in a revenue increase for the system of €1,600 million.

(iv) Due to the inadequacy of previous measures for containing the tariff deficit, the Spanish government approved Law no. 15/2012 in December 2012, which imposed new taxes on generators and natural gas customers in order to cover the costs of the electricity system. Additionally, the Spanish government has allocated and will continue to allocate up to €450 million per year of the revenues from the sale of emission allowances to the tariff (temporarily in 2018 this amount was up to €750 million). The implementation of the above measures increased system revenues by €3,300 million annually although some of those measures have been modified in 2018 by means of Royal Decree-Law 15/2018.

(v) Royal Decree-Law no. 2/2013 described above.

(vi) Royal Decree-Law no. 9/2013 with an estimated yearly impact of €4,500 million, borne by customers (€900 million), National Budget (€900 million) and companies (€2,700 million).

The deficit produced in 2013 (€3,200 million) was transiently financed by electricity companies until December 2014 when it was securitised through the mechanism approved by Royal Decree no. 1054/2014.

Several Supreme court's decisions ordered the Spanish government to give back the Social Voucher funded by companies between 2014 and 2016 (€500 million). State budget laws of 2017 and 2018 authorised the cost of court decisions to be charged to the tariff surpluses obtained since 2014. However, this refund is under review as in April 2019 the Plenary of the Constitutional Court decided to estimate the appeal brought by the General State Administration against decisions of the Supreme Court because of procedural issues. The Supreme Court therefore had to restart the procedures against the Social Voucher for 2014-2016.

Last Resort Tariff to vulnerable customers

Royal Decree-Law no. 6/2009 has created the "Social Voucher" for some consumers benefiting from the tariff of last resort (the **TUR**). The TUR complies with the social, consumer and economic conditions as determined by the Ministry of Energy. Currently, as provided by Royal Decree no. 216/2014, this tariff for vulnerable customers consists of a discount on the regulated tariff PVPC.

Until 2016, discounts applied to vulnerable customers were funded by all vertically integrated companies according to the rules established in Law no. 24/2013 and Royal Decree no. 968/2014. However, in August 2016 several

Supreme Court rulings abolished this funding mechanism. Royal Decree-law no. 7/2016, of December 2016, approved a new framework of protection for vulnerable customers and a new funding mechanism consisting of all supply companies financing the cost of the discounts proportionally to the number of their customers. From then on, EDP had contributed approximately 3.7 per cent. of the national cost of the Social Voucher. However, as of 1 December 2020, EDP's contributions will be reduced due to the selling of the small customers retail business.

From 1 July 2009, individual consumers with a contracted capacity of less than 3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed were entitled to the Social Voucher.

From October 2017, Royal Decree no. 897/2017 established the requirements to become vulnerable and thus eligible for the Social Voucher: customers in their residence being; (i) large families; (ii) families with all members with minimum pensions; or (iii) families with incomes less than certain thresholds established in Ministerial Order no. 943/2017. The discounts include a 25 per cent. discount for vulnerable customers, a 40 per cent. discount for severe vulnerable customers and a 100 per cent. discount for customers at risk of social exclusion. In the latter case, local social services should contribute at least 50 per cent. of the cost. The Social Voucher is awarded for a two-year period, after which it must be renewed by the customer in order to check again if the eligibility criteria are still fulfilled.

Customers benefitting from the "old" social voucher that do not apply for renewal or do not fit into the new criteria lost the discount from October 2018 onwards.

Additionally, since the implementation of Royal Decree-Law 15/2018, the funding mechanism of the Social Voucher will also cover the non-payments of certain types of customers benefiting from the Social Voucher in order to protect them from disconnection.

3. Authorisations and Administrative Procedures to Generators

All power plants require certain permits and licences from public authorities at local, regional and national levels before starting construction and operation.

Administrative registration, permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants using RES or CHP must be registered on the specific remuneration register managed by the Ministry for the Ecological Transition and the Demographic Challenge before the power plant is entitled to benefit from the specific remuneration regime. New power plants in mainland Spain will only be included in the specific remuneration register through a competitive process of capacity auctions.

Facilities must also obtain an authorisation in order to connect to the relevant transmission and distribution networks. If interconnection authorisation is not granted, administrative authorisation cannot be granted. However, interconnection authorisation can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants to distribution networks, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1 MW) to the electricity grid.

Royal Decree no. 244/2018 and Royal Decree-Law 15/2018 specify the administrative procedures that apply to self-consumption facilities.

Following the approval of Royal Decree-Law 23/2020 in June 2020, it is possible to use an existing access permit to hybridise the existing power plant with another technology or with storage without the need of asking for a new permission. This Royal Decree also establishes a moratorium for new access permits for new generation capacity until the Spanish government approves new rules for granting access capacity. The future Royal Decree containing these rules is expected to be approved in the beginning of 2021. However, new self-consumption facilities are exempted from this moratorium. In January 2021, Circular 1/2021 was published by CNMC which established the methodology and conditions of access and connection to the transmission and distribution networks of the electrical energy production facilities. The moratorium was therefore lifted on 1 July 2021 in accordance with the regulatory deadlines.

Natural Gas Sector: Regulatory Framework

1. Overview

The general basis, principles and model of organisation of the gas sector in Spain were established through the Hydrocarbons Act no. 34/1998, of 7 October 1998 (the **Hydrocarbons Act**), Royal Decree no. 949/2001, of 3 August, and Royal Decree no. 1434/2002, of 27 December.

The approval of Act no. 12/2007, of 2 July, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC of the European Parliament and of the Council, of 26 June, has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by introducing Directive 2009/73/EC in the Spanish regulation. The regulated supply system ended on 1 July 2008 and was substituted by a last resort supply system. According to Law no. 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalised market (at the prices freely agreed with suppliers).

The gas system costs have to be funded through access tariffs, charges and other regulated prices. Up to 2019, all the regulated prices were established by Ministerial Order of the Minister of Energy. However, from October 2020 onwards the portion of access tariffs that is designated to cover regasification, transmission and distribution costs will have to be fixed by the national regulatory authority, CNMC, in order to fulfil Directive 2009/73/EC transposed through Royal Decree Law 1/2019. CNMC elaborated a methodology to determine the access tariffs that was approved by means of Circular 6/2020. CNMC is also responsible for determining the remuneration of regasification, transmission and distribution costs. To achieve this task, CNMC has elaborated a methodology to determine the remuneration for gas transmission and gas distribution activities approved respectively by means of Circular 9/2019 and Circular 4/2020.

The methodology for establishing the charges to cover for other costs of the system was approved in December 2020 by Royal Decree 1184/2020. In February 2021, the CNMC published the resolution setting out the remuneration for 2021 gas-year (covering the period 1 January to 30 September) for companies performing regulated activities of LNG, transportation and distribution plants. On 27 May 2021, the CNMC published the access tariffs for transport networks, local networks and regasification for the 2022 gas-year.

Following the same criteria established for the electricity sector, the Spanish government has amended the Hydrocarbons Act, through Royal Decree-Law no. 8/2014, of 4 July, included in Act no. 18/2014, in order to regulate the financial stability of the gas system. The amendments to Law no. 34/1998 are focused on the economic and financial balance of the system, thus aiming to avoid new tariff deficits.

In 2015, the approval of Law no. 8/2015, of 21 May, modified the Hydrocarbons Act, with the main goal of creating an organised market of natural gas in the Spanish system that, once it becomes liquid, should give a price reference to the market and increase competition in the sector. The organised market MIBGAS has since then assumed the role of market operator.

In October 2015, Royal Decree no. 984/2015 was approved which: (i) defined the general principles of the operation of the organised market of natural gas in the Spanish system (the operative details of which were established in December 2015 pursuant to resolutions); (ii) modifies the system of contracting access capacity to the gas sector installations by third parties; and (iii) develops the model of liberalisation for periodic check-ups of users' installations, the responsibilities of each party and recognises the administrative cost of the distribution system operator. Royal Decree-Law 1/2019 established that CNMC is also responsible for determining the rules of third parties access to gas system facilities. In June 2019, CNMC launched a draft circular (a piece of legislation approved by CNMC) regarding access to gas system facilities which will substitute part of the above mentioned Royal Decree 984/2015. This piece of legislation was approved by means of Circular 8/2019 in December 2019.

With respect to the supplier of last resort, Royal Decree no. 485/2009 and Royal Decree no. 216/2014 allowed for the possibility of merging firms that have to supply both electricity and gas, under the supplier of last resort requirements, into a single company.

Spanish law distinguishes between: (i) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (ii) non-regulated activities, which include supply.

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities whenever they are independent at least in terms of their legal form, organisation and decision making with respect to other activities not relating to transmission, distribution and storage (Law no. 34/1998 and Law no. 12/2007). Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/EC to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas TSO in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, "red troncal". However, any

vertically integrated company established prior to 3 September 2009 may opt between an ownership unbundling model or the independent system operator or regional transmission organisation (**ISOs**) model.

There have been several mergers and acquisitions in the Spanish gas market, resulting in changes to the market structure. During 2017, EDP completed the sale of all its gas network business in Spain. As a consequence, EDP remains in the gas sector only in liberalised activities (trading and supply). As of 1 December 2020, EDP is no longer involved in last resort supply.

The Spanish gas market has developed significantly in recent years, with 7.98 million customers in 2020.

2. Natural Gas Value Chain

A. Natural Gas Transportation

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants require prior administrative authorisation. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licences and permits are necessary, including an environmental impact assessment; licences related to infrastructure construction and land rights; and licences related to construction (for example, an activity licence, opening licence and works licence).

Preliminary authorisation is granted by either the Ministry of Energy, if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, by the regional authorities where such facilities will be located.

Once the preliminary authorisation has been granted, either the Ministry of Energy or the applicable autonomous regional authority will authorise the engineering construction project. Such authorisation enables the applicant to begin construction of the facility. Definitive authorisations are then granted upon completion of the facility.

B. Natural Gas Distribution

An administrative authorisation is required for the conduct of distribution activities. Any legal entity with Spanish nationality or any member of the EU may apply for an administrative authorisation. Applicants must give evidence of their legal, financial and technical capacity for distribution.

Distribution companies are under a legal duty to provide access to their networks to suppliers and consumers. The main principles governing third-party access to the distribution networks are the same as those applicable to access to the transportation network.

Remuneration system of distribution companies is currently established in Law 18/2014. Royal Decree-Law no. 1/2019 defined that, starting from the new regulatory period 2020-2025, CNMC is now responsible for approving the methodology and values for remunerating distribution, transmission and regasification as well as the new return ratio. In July 2019, CNMC launched several draft circulars establishing the regulated return ratios for distribution and transmission of both electricity and gas system in their respective new regulatory periods, and the methodology for remunerating gas regulated activities in the new regulatory period 2021-2026. Circular 2/2019, approved by CNMC in November 2019, imposed a return ratio of 5.44 per cent. in gas distribution and transmission for the period 2021-2026. In order to fulfil this task, CNMC has elaborated a methodology to determine the remuneration for gas distribution activities approved by means of Circular 4/2020, approved on 31 March 2020.

C. Natural Gas Supply

EDP participates in the ordinary supply market through EDP Clientes S.A.U. in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalised market on terms and conditions freely agreed among the parties. In order to enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree-Law no. 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

Due to the disappearance of OCSUM, the CNMC supervises the process for consumers changing their gas supplier under principles of transparency, objectivity and independence.

Following the approval of Law no. 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Energy or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the CNMC) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) the guarantees required. A prior administrative authorisation is only required for the conduct of supply activities if a company or its parent company is from a country outside of the EU that does not recognise equivalent rights. The

CNMC is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities.

The implementation of supply of last resort in the natural gas sector was established by Royal Decree no. 104/2010, of 5 February, and Royal Decree-Law no. 13/2012 which has partially transposed Directive 2009/73/EC into Spanish regulation.

Tariff Deficit in natural gas sector

In the Spanish natural gas sector, the main regulatory developments for the period from 2012 to 2014 aimed to reduce the tariff deficit. In this context, the Spanish government approved Royal Decree Law no. 8/2014 in July 2014, which main measures are summarised as follows:

(i) Reduction of €238 million per year in regulated activities remuneration (distribution and transportation);

(ii) New remuneration models for regulated activities, during a new six-year regulatory period, which applies from July 2014 to December 2020. For distribution, the new model is still demand based, but the price updating component (IPH) disappears. In the case of transportation, there is a new variable component of remuneration linked to the system demand evolution;

(iii) Financing of the 2014 tariff deficit by regulated companies in 15 years. New deficits occurring from 2015 onwards financed by regulated companies in five years; and

(iv) New yearly cap to tariff deficits, which leads to automatic tariffs and tolls increase.

However, these measures have not been enough to contain the tariff deficit and almost every year since then a small new tariff deficit has been produced, which is financed by companies with regulated revenues from the tariff system, mainly distribution, regasification and transmission operators.

The accumulated deficit as of 31 December 2020 amounted to €372.2 million according to Order TEC/1286/2020. This amount does not include the approximately €1,400 million debt for the unsuccessful underground storage project, named "**Castor**", as Spain's Constitutional Court has annulled the compensation due to Castor's owner (Judgement 152/2017, of 21 December 2017).

D. COVID-19 - Extraordinary measures in the energy sector

With the coronavirus outbreak, a state of emergency ("*estado de alarma*") was declared in Spain through Royal Decree 463/2020, entering into force 15 March. By means of this decree, all non-essential retail activities were suspended. Energy sector is considered an essential activity. During some weeks, also non-essential industrial activities were suspended as well.

This decree also determined the suspension of the administrative and procedural deadlines as of 15 March 2020. These suspensions ceased on 1 June and 4 June 2020 respectively with the Royal Decree 537/2020.

Several waves of measures have been implemented by the Spanish government since the beginning of the state of emergency. The most important affecting natural gas and electricity sectors were passed by means of Royal Decree-Law 8/2020 (18 March) and Royal Decree-law 11/2020 (1 April).

The first package contained the following measures:

- the interruption of supply of electricity or gas to vulnerable customers during the emergency state is forbidden. Vulnerable customers are those ones eligible for the Social Voucher;
- an extension of the deadline to renew the social voucher for those vulnerable customers which voucher was about to expire (until 30 September 2020); and
- freezing of the last resort tariff for natural gas until 30 September 2020.

The second package contained:

- the interruption of supply of electricity or gas to all customers in their main residence during the emergency state is forbidden;
- a new type of social voucher for self-employed workers whose activity was reduced substantially with the COVID crisis, during 6 months;
- self-employed workers and enterprises can modify their gas and electricity contracts (contracted power and other parameters) without cost or even suspend the contract during the emergency state. Once the emergency state is finished they will have three months to adjust their contracts to their new situation, without any cost as well. The cost of these modifications and suspensions will be assumed by the national budget; and

- defaulting self-employed and SMEs may request their suppliers to pay their bills by instalments of 6 months – the suppliers can ask then the distributors to suspend payments of the corresponding access tariffs until the customer has completed his payment.

A new state of emergency was declared on 25 October 2020 (Royal Decree 926/2020) with no new measures affecting energy sectors.

BRAZIL

1. Overview

The Ministry of Mines and Energy (**MME**) is the Brazilian government's office responsible for conducting the country's energy policies. Main duties include formulating and implementing policies for the energy sector, according to the guidelines defined by the National Energy Policy Council (**CNPE**). The MME is responsible for establishing the national energy sector planning, monitoring the security of supply of the Brazilian electricity sector and defining preventive actions to guarantee supply restoration in case of structural imbalances between power supply and demand.

According to Law no. 10848/2004 (the **New Electricity Act**), the Brazilian government, acting primarily through MME, undertook certain duties that were previously the direct responsibility of ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

ANEEL has the authority to regulate and enforce the production, transmission, distribution and sale of electricity, ensuring the service quality provided by the universal service and tariff establishment to the network users, while preserving the economic and financial viability of agents and industry. The New Electricity Act introduced significant changes to the regulation aimed at providing new incentives to maintain the country's generation capacity adequate to supply the electricity market. Furthermore, through competitive electricity public auctions, energy supply and demand are expected to produce lower tariffs.

The main feature of the New Electricity Act is the creation of two markets for electricity trading (regulated contracting market for the sale and purchase of electricity towards the distribution companies, which is operated through electricity purchase auctions; and the unregulated market or free contracting market for the sale and purchase of electricity for generators, free consumers and electricity trading companies).

Several significant changes in regulation regarding the electricity sector occurred during 2012, such as the Provisional Measure 579/2012, later converted to Law no. 12783/2013, in which the Brazilian government presented measures to reduce electric energy bills. The expected average reduction for Brazil amounted to 20.2 per cent. of total electric energy bills due to government actions aimed at concession renewals (13 per cent.) and sector charges (7 per cent.).

Regarding concession renewals, generation utilities with contracts that expired between 2015 and 2017 were able to renew their concessions and shall guarantee that they make available physical energy to the quotas system for the distributors in proportion to the market size of each distributor.

On 23 January 2013, Provisional Measure 605/2013 was published, which had the objective of increasing the scope of application of the resources of the Energy Development Fund – Conta de Desenvolvimento Energético (**CDE**). As a result, the CDE began using resources to help offset the discounts applied to the tariffs and the involuntary exposure of distributors resulting from the decision of some generation companies not to extend their generation concessions. This measure amended Law no. 10,438/2002, which established the application of the CDE resources.

On 6 March 2013, CNPE issued the Resolution CNPE 3/2013, which set a new methodology for sharing additional costs incurred using thermoelectric power plants out of the order of merit, which would normally give preference to hydro power plants. According to this new resolution, thermal power plants could operate out of the typical order of merit ahead of the hydroelectric plants to maintain the safety of the system in light of the hydrological crisis in Brazil.

Hydro power plants in Brazil function according to the Energy Reallocation Mechanism (**MRE**), a hydrological risk sharing mechanism. The Generating Scaling Factor is a measurement of the amount of energy generated compared against the amount of energy guaranteed under the MRE. If a hydro plant generates less energy than the amount guaranteed, it will have a deficit. This can occur due to unfavourable hydrological conditions, such as extended or severe drought. When a deficit occurs, hydro generators must buy energy in the spot market, generally at higher prices, to accomplish their contractual commitments.

Since distribution network operators (**DNOs**) had cash flow difficulties due to Involuntary Exposure and high energy costs as a result of insufficient raining season in 2014, the Federal Government issued Decree no. 8,221/2014. This decree created an account in the Regulated Contracting Environment (the **ACR Account**) to cover the additional costs of electricity distributors due to involuntary exposure in the context of high price levels in the spot market and high usage of thermoelectric plants. The Commercialisation Chamber (**CCEE**) manages the account, and is responsible for contracting loans, as well as for ensuring the transfer of costs incurred in the operations of the CDE.

The Tariff Flag System started operating through Decree 8,401/2015. This system signals to regulated consumers the real costs of electricity generation, and consists of three flags: green, yellow and red. The green flag indicates that the cost of energy production is low and therefore no extra charges are applied to the energy tariff. The yellow and red flags represent differing levels of increase in energy production cost, and that an additional charge has

been added to the tariff. Consumers classified as low income will receive a discount on the additional amount applied by the yellow and red flags.

ANEEL approves transfers to the distribution companies on a monthly basis. Any costs not covered by the Tariff Flag revenue will be considered in the next tariff process.

In the Provisional Measure no. 688, issued in August 2015 and converted into Law no. 13,203 on 8 December 2015, ANEEL introduced optional insurance for hydro generators to cover the risk of a deficit. The cost of the insurance varies depending on the hedge level. The hedge option, under conditions provided by Law no. 13,203/2013, was conditioned on the inability to receive the amount of energy not covered in the MRE via legal proceedings. EDP Brasil has an insurance policy for 7 of 15 of its hydro plants, covering 51 per cent. of its guaranteed energy.

The Provisional Measure no. 735, issued on 23 June 2016 and converted into Law no. 13,360 on 18 November 2016, aims to restructure the Brazilian Energy Sector Funds` management whose current values are approximately R$20 billion, made up of: (i) the CDE, (ii) Global Reversion Reserve (**RGR**) and (iii) Fuel Consumption Account.

It is an important step forward in the governance of the Brazilian Energy Sector. The management of the resources migrated from Eletrobras, a state-owned company with assets in the electricity sector, to a board composed of representatives of the CCEE, with recent history of control and audit of their accounts, subject to the regulation of the ANEEL.

Law no. 13,360/2016 also determines that by 2030 the CDE`s apportionment between DNOs will be proportional to their markets. The transition period between the current allocation, which overloads the South, Southeast and West Central regions, and the proportional allocation to markets will be 2017-2030. The participation of high voltage installations will be lower than low voltage.

The measure creates favourable conditions for the transfer of shareholding control of concessions and simplifies the bidding process and the terms of payment to the union.

It also authorises the transfer of debts with Itaipu from Federal Reserve to end-consumer tariffs and revokes the possibility of extension of the concessions whose start-up of the plants was delayed, even if there is recognition of exclusive responsibility.

Finally, it also permits distribution companies to sell their energy surplus to the free market so that they can enhance their energy overcontract condition.

According to Decree no. 9,022, of 31 March 2017, MME detailed sources to support the CDE account (as well as RGR utilisation) and the situations in which they can be used, implemented and managed, as stated in previous legislation (Laws no. 7,891/2013, 10,438/2002, 12,111/2009 and 12,783/2013).

ANEEL's Dispatch 2,379, of 17 October 2018, authorised EDP Comercialização Varejista Ltda to act as an Electricity Energy Trading Agent within CEE's scope.

Through Normative Resolution 831, of 30 October 2018, ANEEL changed the parameters for the calculation of the price cap for new auctions.

On 14 November 2018, the Brazilian government issued Provisional Measure 855, enabling privatisation of Eletrobras Discos after Senate rejection of a bill proposed by the Brazilian government to establish legal framework for the transaction. Up to R$ 3 billion could be paid by consumers in 60 months to cover uncovered debts due to economics and energetic efficiency low performance.

On the same day, Provisional Measure 856 was issued, which delegated the responsibility for contracting last resort and temporary providers of the public service power distribution to ANEEL.

Through Normative Resolution 839, of 26 December 2018, ANEEL incorporated a new load levels representation for the planning/programming of the electricity operation.

On 28 December 2018, the Brazilian government issued Decree no 9,642/2018, which gradually removes subsidies in incorporated electricity tariffs at a rate of 20 per cent. per year (for 5 years period). The subsidies subject to reduction are those relating to the discount for the "rural", "irrigation/aquaculture" and "water/sewage/sanitation" classes. The Decree also ends up with the cumulativeness of discounts for the beneficiaries of the "rural" and "irrigation/aquaculture" classes. On the other side, Decree no. 9,744/2019 established cumulative subsidies for consumers in the rural and irrigation/low voltage aquaculture classes from the date of its publication.

ANEEL reviewed and detailed criteria for entry into service of the Transmission Functions, which are the functional units that must be handled jointly for their regulatory treatment through Normative Resolution 841, of 28 December 2018. This Normative Resolution entered into force on 1 July 2019 and revoked REN 454/2011. The new REN creates the revenue release term, which, in the case of facilities capable of operating with third party impediments pending, receives 100 per cent. of the allowed annual revenue. In addition, the new REN maintains the receipt of 90 per

cent. of the annual revenue permitted (**RAP**) portion for the partial release terms, and, if the impediments pending enter into force for more than 12 months, the transmitter will receive 80 per cent. of the RAP portion.

On 29 December 2018, Ministerial Order no. 514 was published, which decreases the load limits for consumers contracting electricity of the liberalised market. From 1 July 2019, consumers with a load of 2,500 kW or more, regardless of the connection voltage level, were able to acquire power in the liberalised market. From 1 January 2020, the possibility extended to 2,000 kW. On 12 December 2019, Ordinance 465 enabled consumers with a load more than or equal to 1500 kW to enter the free market on 1 January 2021, reducing to 1000 kW on 1 January 2022 and to 500 kW on 1 January 2023.

On 29 January 2019, the Ministerial Council for Disaster Response Supervision published Resolution No. 1, dated 28 January 2019, which establishes that federal supervisory agencies must require the immediate updating of Dam Safety Power-Plans, in accordance with Law no. 12,334, of 2010. Therefore, ANEEL implemented a special campaign to inspect dams in power-plants, which includes documental evaluation and on-site inspection in all hydroelectric plants in operation.

On 12 February 2019, Ministerial Order 124 created a Working Group with the scope of coordinating the development of studies to subsidise the process of revision of Itaipu Treaty Annex C.

Homologatory Resolution No. 2,514, dated 19 February 2019, updated ANEEL's reference bank to be used in the authorisation processes, bidding for concession granting and revision of the annual allowed revenues of electricity power transmission concessionaires.

On 1 March 2019, MME published Ministerial Order no. 151/2019, which established the dates of the new energy auctions in: (i) 2019: A-4 in June and A-6 in September; (ii) 2020: A-4 in April and A-6 in September; and (iii) 2021: A-4 in April and A-6 in September. Ministerial Order No. 152 established the schedule for existing A-1 and A-2 energy auctions in December 2019, 2020 and 2021.

Homologatory Resolution no. 2,521, of 20 March 2019, changed the amount of CDE fees to be paid by the distributors, referring to the ACR Account. The ACR Account was created to cover the loan passed on to the distributors in 2014. At that time, the fee collection was established including an additional fund formation. Based on ANEEL's forecasts for the ACR account that must be collected, the previously formed fund will have sufficient funds to repay the loan in September 2019.

On 3 April 2019, Ministerial Order no. 186 was also published, establishing the Guidelines for the Auction of Purchase of Electricity from New Generation, named "A-4", of 2019. On 1 August and 4 September 2019, Ordinances MME no. 304 and 337, respectively, established auctions from existing generation projects A-1 and A-2 and from new generation projects A-6.

On 4 April 2019, a working group was created by Ministerial Order No. 187 to develop proposals for the Electricity Sector Modernisation, dealing, with an integrated point of view, with the following topics: (i) market environment and mechanisms to make feasible the expansion of the Electricity System; (ii) pricing mechanisms; (iii) rationalisation of charges and subsidies; (iv) Energy Reallocation Mechanism - MRE; (v) allocation of costs and risks; (vi) insertion of new technologies; and (vii) sustainability of distribution services.

ANEEL approved improvements in the settlement price of differences, through Normative Resolution 843, of 2 April 2019, establishing the general guidelines for the process of price formation and disclosure of data to the market, reinforcing anticipation and transparency, as well as consolidating various agency regulations.

On 19 July 2019, ANEEL approved Normative Resolution no. 851/19 which established rules for thermoelectric plants dispatching to provide complementary grid frequency control.

On 7 August 2019, MME Public Consultation 76 proposed mandatory representation by retailers in the free market for consumers with a load of less than or equal to 1,000 kW. On 21 October 2019, MME withdraw this idea.

On 26 August 2019, MME Public Consultation 77 proposed a reduction of market reserve for renewable energy sources.

Order ANEEL no. 2,506 of 10 September 2019 approved research and development projects for electrical mobility. Three EDP projects were approved.

On 9 September 2020, the Federal Government published Law 14,052/2020, which regulates the renegotiation of the hydrological risk. This law established compensation for the owners of hydroelectric plants that participate in the MRE who are affected by the non-hydrological effects since 2012. Compensation will be granted to the impacted plants in the form of a grant extension.

On 12 July 2021, Law no. 14,182/2021 (privatisation of Eletrobras) was approved, which, among other things, extended the renegotiation of the hydrological risk to the portion of energy in the ACR in a period prior to the renegotiation of Law no. 13,203/2015.

On 3 August 2021, ANEEL's board of directors partially approved the renegotiation of the hydrological risk of the MRE's plants, through Normative Resolution no. 2,919/2021, initiating the process of evaluation and acceptance of the terms by the agents.

Generation Highlights

The Generation Scaling Factor (**GSF**) is the ratio between the total generation and the total physical guarantee of the MRE. If the ratio is more than "1", it means that secondary energy was generated during the period. If the ratio is less than "1", this is the adjustment factor to be applied to the physical guarantees of the plants in the MRE, to cover their levels of generation.

The GSF mechanism was judicialized in 2015 by several companies that contested the payment of risks not related to hydrology. Federal Law no. 13,203/15 brought a solution to the problem in the regulated market in the same year, but it was not suitable for the free market generators. Since then, open positions in the spot market reached BRL 9 billion. In September 2020, Law no. 14.052/20 amended Law no. 13.203/15 and enacted a compensation mechanism applicable to specific hydroelectrical energy generation conditions. This new law is expected to help resolve the impasses caused by the GSF issue in the short-term energy market, normalising its settlements.

With the approval of Law no. 14,052/2020 and the partial approval of the hydrological risk by ANEEL on 3 August 2021, HPP Peixe Angical will be able to renegotiate its risk in the next 60 days, waiving up the court injunctions and receiving in return the extension of exploration grant for an additional 5.5 years.

The rest of EDP's hydroelectric power plants are awaiting the updating of CCEE's calculations, after approval of Law no. 14,182/2021 and approval of the deadlines for extension of concession exploration by ANEEL.

2. Distribution tariffs

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions (i.e. revisions that can be taken by the regulator if some unexpected exogenous factor occurs that affects the financial or economic equilibrium of the concession).

Periodic tariff revisions

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of "**Parcel A**" and "**Parcel B**" costs. Parcel A costs consist of a distribution company's costs of power supply, transmission costs as well as tariff charges. Parcel B costs consist of the distribution company's operating costs, taxes, depreciation and return on investment, accepted by the regulator.

The required revenue of EDP's electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called a test year. The regulatory regime in Brazil provides for price caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice versa.

Periodic tariff revisions are conducted every three years for EDP Espírito Santo and every four years for EDP São Paulo.

On 28 April 2015, through Resolution no. 660, ANEEL approved changes in the methodology applicable to the processes of Periodic Tariff Review for distributors as of 6 May 2015. The changes related to the following: (i) general procedures; (ii) operating costs; (iii) X-Factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues; and (vi) other income. The most significant changes are as follows:

(i) the tariff cycle concept was extinguished. The methodologies and parameters prevailing at the time of the tariff review will be used. The parameters and the methodologies will be updated every two to four years and every four to eight years respectively in each case counted from 2015;

(ii) the WACC increased from 7.5 per cent. to 8.09 per cent. (after tax). The points taken into account in the update were: (i) standardisation of the series; (ii) use of average credit risk of companies in the debt capital; and (iii) recalculation of the cost of capital every three years, with a methodology review every six years;

(iii) remuneration for the risk associated with investment operations funded by third-party funds (subsidies);

(iv) the definition of efficient operating costs was changed to comprise the "**consumer energy index**" and "**non-Technical losses**";

(v) in determining the level of non-technical losses, the variable "low-income" was included and the database updated based on three statistical models;

(vi) the level of unrecoverable revenues (percentage) shall be calculated based on past 60 months of non-compliance by the concessionaire;

(vii) the percentage share of other revenue has been changed to 30 per cent. in the services of: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. The percentage share of other services was set at 60 per cent.; and

(viii) the calculation of X-Factor now includes consideration of commercial quality.

On 6 March 2018, ANEEL has decided to maintain the WACC at 8.09 per cent. (after tax) until December 2019. From 2020 onward it will be applicated a new methodology. The preliminary proposal of the regulator in the public consultation of October 2019 reduces WACC from 8.09 to 7.17 per cent. EDP Espírito Santo and EDP São Paulo will maintain the 8.09 per cent. (after tax) WACC until their new regulatory period starts in August 2022 and October 2023, respectively.

ANEEL's Normative Resolution no. 833, of 19 December 2018, detailed the procedure for calculation and settlement of the Surplus Selling Mechanism, object of Normative Resolution 824/2018.

ANEEL's Normative Resolution no. 835, of 19 December 2018, improved and adjusted the criteria for tariff review of the distributors belonging to the same economic group that opted for the concessions grouping.

ANEEL's Normative Resolution no. 877, of 19 March 2020, simplified the methodology of X-Factor Pd (the "Pd" component shares the scale productivity with consumers).

ANEEL's Normative Resolution no. 907, of December 2020, postponed the governance index disclosure for 2022, when corporate and data compliance indicators will be analysed.

ANEEL's Normative Resolution no. 925, of March 2021, excluded equivalent interruption frequency per consumer unit from the X-Factor Q (the "Q" component in X-Factor is to encourage continuous improvement of quality-of-service indicators), and amplified penalty or benefit signals.

ANEEL's Normative Resolution no. 933, of May 2021, instituted the new Electric Sector Accounting Manual.

ANEEL's Normative Resolution no. 939, of July 2021, simplified the analysis of assets price database and proposed new reference prices from August 2021.

Following the Regulatory Agenda 2021, several methodological changes are expected. Public Hearing 062/2020 discussed improvements for benchmark methodology for operational costs. Public Hearing 029/2020 proposed the exclusion of the loss saturation point and greater speed of trajectory to the goal of non-technical losses model. Public Hearing 049/2021 is open until mid-October 2021 to receive contributions on a proposed pilot programme of two-part tariffs considering centralised governance by ANEEL. Tariff flags will also be discussed in the fourth quarter of 2021 in order to review the highest level of the flags.

Tariff adjustments

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation for the period between periodic revisions. For the purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Parcel A costs are adjusted to account for variations in costs and Parcel B costs are adjusted to account for variations in the General Price Index Market (**IGP-M**) inflation index. For Parcel B, the tariff adjustment rate also considers a measure of the distributor's operating productivity power quality, called the X-Factor. The main objective of the X-Factor is to ensure an efficient balance between revenues and costs, established at the time of revision, by considering standard values established by the regulator. The X-Factor has three components: (i) expected productivity gains; (ii) quality of service; and (iii) cost efficiency.

On 7 August 2018, ANEEL approved the 2018 annual tariff readjustment for EDP Espírito Santo which will apply from 7 August 2018 to 6 August 2019. The average effect was 15.87 per cent. Parcel B was readjusted by 7.19 per cent., considering an IGP-M of 8.24 per cent. and an X-Factor of 1.05 per cent. resulting from 1.15 per cent. of productivity gains, -0.10 per cent. of incentives to quality of service and 0.00 per cent. of trajectory to adequacy of operational costs.

On 16 October 2018, ANEEL approved the 2018 annual tariff readjustment for EDP São Paulo which will apply from 23 October 2018 to 22 October 2019. The average effect was 16.12 per cent. Parcel B was readjusted by 9.48 per cent., considering an IGP-M of 10.04 per cent. and an X-Factor of 0.56 per cent., in result of 1.14 per cent. of productivity gains, -0.34 per cent. of incentives to quality of service and -0.24 per cent. of trajectory to adequacy of operational costs.

On 6 August 2019, ANEEL approved the 2019 tariff revision for EDP Espírito Santo which will apply from 7 August 2019 to 6 August 2020. The average tariff effect perceived by the consumer was -4.84 per cent. Parcel B was revised by 13.6 per cent., considering an X-Factor of 0.84 per cent. resulting from 1.12 per cent. of productivity gains, -0.28 per cent. of incentives to quality of service and -1.05 per cent. of trajectory to adequacy of operational costs. Technical regulatory losses were fixed at 7.06 per cent., while commercial losses were set at 10.74 per cent. over low tension market in 2019, reducing to 9.58 per cent. until 2021.

On 23 October 2019, ANEEL approved the 2019 tariff revision for EDP Sao Paulo which will apply from 24 October 2019 to 23 October 2020. The average tariff effect perceived by the consumer was -5.33 per cent. Parcel B was revised by 2.7 per cent., considering an X-Factor of 0.88 per cent. resulting from 0.96 per cent. of productivity gains, and -0.08 per cent. of incentives to quality of service. Technical regulatory losses were fixed at 4.06 per cent., while commercial losses were set at 8,43 per cent. over low tension market in 2019, reduced to 8.42 per cent. until 2022.

On 6 August 2020, ANEEL's board unanimously approved the 2020 annual tariff readjustment for EDP Espírito Santo which will apply from 7 August 2020 to 6 August 2021. The average effect was 8.02 per cent. Parcel B was readjusted by 2.5 per cent., was set at BRL 1.004 billion, considering an IGP-M of 9.27 per cent. and an X-Factor of - 0.14 per cent. resulting from 1.12 per cent. of productivity gains, -0.21 per cent. of incentives to quality of service and -1.05 per cent. of trajectory to adequacy of operational costs. The readjustments mainly affected UHE Itaipu costs given its value follows the U.S. dollar exchange rate. The reversal of the values of the COVID-Account in the amount of BRL 219.4 million, the anticipation reversal of the values of PIS/COFINS in the amount of BRL 159 million and the rectification of the CDE of 2020, contributed to a 13.9 per cent. reduction.

On 20 October 2020, ANEEL's board unanimously approved the 2020 annual tariff readjustment for EDP São Paulo which will apply from 23 October 2020 to 22 October 2021. The average effect was 4.82 per cent. Parcel B was readjusted by 21 per cent., was set at BRL 1.198 billion, considering an IGP-M of 17.94 per cent. and an X-Factor of 0.55 per cent. resulting from 0.96 per cent. of productivity gains, -0.41 per cent. of incentives to quality of service and 0.00 per cent. of trajectory to adequacy of operational costs. The readjustment mainly affected UHE Itaipu costs given its value follows the U.S. dollar exchange rate. The reversal of the values of the COVID-Account in the amount of BRL 355.8 million contributed to a 8.5 per cent. reduction.

On 3 August 2021, ANEEL's board unanimously approved the 2021 annual tariff readjustment for EDP Espírito Santo which will apply from 7 August 2021 to 6 August 2022. The average effect was 9.75 per cent. Parcel B was readjusted by 46 per cent., was set at BRL 1.466 billion, considering an IGP-M of 33.75 per cent. and an X-Factor of -0.13 per cent. resulting from 1.12 per cent. of productivity gains, -0.20 per cent. of incentives to quality of service and -1.05 per cent. of trajectory to adequacy of operational costs. The main readjustment's cause was the costs of thermoelectric dispatch in consequence of the hydrologic crise and the elevation of IGP-M. The readjustment also had a previous consideration of regulatory credits, that contributed to prevent 5.7 per cent. of tariff impact. These regulatory credits are related to the PIS/COFINS taxes injunction (BRL 156 million) and to the clients' excess consumption of demand and reactive power (BRL 72 million).

Transmission revenue

On 14 May 2019, ANEEL approved the new Reference Prices to be practiced in transmission substation and lines.

Transmission readjustment tariff occurred on 25 June 2019 (ANEEL's Homologatory Resolution no. 2562/2019), affecting EDP Transmission revenue by establishing the value of the Tariffs for the Use of the Transmission System (**TUST**) for electricity, components of the National Interconnected System for the 2019-2020 cycle.

On 31 July 2019, ANEEL approved the acquisition of Litoral Sul Transmission Company by EDP and hence a new transmission line has been constructed.

On 3 September 2019, ANEEL approved the RAP value regarding the third autotransformer implementation at SE Siderópolis 2 of EDP Aliança. The approval allows the equipment fabrication and installation to occur simultaneously with the rest of the transmission assets.

On 28 April 2020, the Brazilian National Power Grid Operator – ONS, confirmed the partitioning of the EDP Aliança's concession agreement. This act allows the entry into service of part of EDP Aliança's transmission assets. The expected revenue is 90 per cent. of the RAP portion associated to this group of Transmission Functions. The expected income is approximately BRL 50 million per year.

A transmission readjustment tariff occurred on 14 July 2020 (Homologatory Resolution no. 2,725/2020), affecting EDP Transmission revenue by establishing the value of TUST for electricity, components of the National Interconnected System for the 2020-2021 cycle.

On 24 November 2020, ONS published two access reports, which established the technical viability and conditions for the distributors agents, CEGERO and CEBRANORTE, to connect to Tubarão Sul substation, owned by EDP

Litoral Sul. These documents indicate the need for the construction of two modules to connect the overhead distribution lines, by December 2022.

On 8 December 2020, ANEEL approved the Services Rules of Transmission Electric Energy in the National Electric System (Homologatory Resolution no. 905/2020), which consolidates the rules of Transmission Sector, including assets, public service provision, system access and operation.

Transmission readjustment tariff occurred on 13 July 2021 (Homologatory Resolution no. 2,895/2021), affecting EDP Transmission revenue by establishing the value of TUST for electricity, components of the National Interconnected System for the 2021-2022 cycle.

3. COVID-19 - Extraordinary measures in the energy sector

COVID-19 has caused direct and indirect impacts in the Brazilian electricity sector since March 2020, suspending activities and forcing agents to reorganise their activities to honour the contractual commitments and guarantee companies' cash flow. Aiming to mitigate COVID-19's impact, on 19 March 2020, the federal government published Federal Decree No. 10,282/2020, classifying electricity generation, transmission, and distribution as essential public services activities, indispensable to society's needs.

On 19 March 2020, Ordinance no. 133/2020-MME established the Sectorial Crisis Committee at the MME, with the presentation of an action plan to maintain the obligations of essential services.

On 24 March 2020, ANEEL's Normative Resolution no. 878/2020 suspended electricity cuts due to default by residential consumers for 90 days. However, emergency assistance must be maintained during the period.

On 25 March 2020, Federal Decree no. 10,292/2020 classified the public services and activities essential to the community. In relation to the energy sector, the supply, operation, and maintenance of electricity segments were included.

On 31 March 2020, MME's Ordinance no. 134/2020 postponed transmission and power generation auctions, associated with long-term expansion of the grid.

On 8 April 2020, ANEEL's Normative Resolution no. 881/2020 and ANEEL's Ordinance No. 986/2020 anticipated BRL 2 billion of Financial Surplus to power distribution companies (**DisCos**) and free consumers, as a crisis measure, from sectoral funds associated with the payment of energy security charges. EDP's distributors have received approximately BRL 56 million.

On 15 April 2020, ANEEL's Provisional Measure no. 950/2020 granted a 100 per cent. discount on the Social Electricity Tariff, from 1 April to 30 June 2020, to consumers in the Low-Income Residential Subclass, whose energy consumption electricity is less than or equal to 220 kWh/month.

On 20 April 2020, ANEEL's Order no. 1,406/2020 recommended that DISCO and high voltage consumers negotiate bilaterally possible flexibilities in their contracts due to the reduction in electricity consumption.

In respect of the electricity transmission sector, on 22 April 2020, ANEEL's Dispatch no. 1,106/2020 defined the use of the transmission tariff surplus for the 2019/2020 tariff cycle, thus anticipating the tariff discount to users.

On 28 April 2020, Federal Decree no. 10,329/2020 included engineering works and equipment supply related to the electric power generation, transmission, and distribution segments within the list of essential services.

On 15 May 2020, ANEEL's Order no. 1,437/2020 approved an extraordinary revision of Brazil's demand forecast for 2020, due to the decrease in electricity consumption relative to the crisis. Due to the drop in demand and the price of electricity, the DisCos are the most affected by the crisis. On 18 May 2020, Federal Decree No. 10,350/2020 created the "COVID Account" to deal with the pandemic effects for the electricity sector.

On 26 May 2020, through Public Hearing no. 35/2020, the Brazilian regulator received subsidies for the operationalisation of the "COVID Account", regarding the financial aspects. A ceiling value of BRL 16.1 billion was estimated. Credit up to BRL 600 million is expected to EDP's DisCos, with a return expected from 2021. The Public Hearing closed on 1 June 2020.

On 26 May 2020, ANEEL's Authorising Resolution no. 8,926/2020 exempted the penalty for commercial operation delay for four months in relation to the regulatory framework, defined in the Electric Energy Transmission Concession Contract or in the authorising act. ANEEL's Public Hearing no. 37/2020, open to contributions until 1 July 2020, will discuss management mechanisms for regulated contracts, allowing the postponement of fixed revenue payments between distributors and generators, through auctions. In addition, new contract management products for 2021 will be discussed, with the possibility of releasing energy for free negotiation.

There were no specific regulatory or governmental measures for the free energy market, since it is an unregulated market, with bilateral negotiations between agents and little interference by ANEEL.

On 21 July 2020, the COVID contract of BRL 15.3 billion was approved, financed by a pool of 16 banks. The CCEE disbursement schedule was established, considering the anticipation of receiving the last amount by 28 December 2020. On 31 July 2020, EDP Espírito Santo received BRL 219 million and EDP São Paulo BRL 318 million and on 10 August 2020, EDP SP received BRL 36 million. The distributors will begin paying COVID Account in 2021, whose amortisation will occur in 54 monthly payments. In the 2020 tariff processes, the amount received from the COVID Account was deducted from the tariff repositioning index of EDP distributors, representing a reduction of approximately 6 per cent. for EDP Espírito Santo and 8 per cent. for EDP São Paulo.

The second phase of Public Hearing no. 035/2020 was initiated on 18 August 2020, with the purpose of analysing the impact of the COVID-19 on the economic balance of distributors. ANEEL suggests the recomposition through the mechanisms Submodule 2.9 of PRORET: triggering equations to obtain the right of extraordinary tariff review (**RTE**).

Discounting the benefits of COVID Account, only one distributor, Amazonas, would be entitled to the RTE. The amount to be granted in the tariffs, in case all the distributors request rebalancing through Submodule 2.10, is BRL 2 billion.

The third phase of Public Hearing no. 035/2020 was initiated on 16 December 2020. As a result, ANEEL proposed: (i) a revision to the RTE trigger and a final proposal for the methodology for market reconstitution and unrecoverable revenues reconstitution, in case of RTE approval; (ii) the calculation for involuntary overcontracting due to the COVID-19 pandemic; and (iii) the allocation of spread (between consumers and distributors) from the COVID Account.

UNITED STATES

1. Overview

Federal, state and local energy statutes regulate the development, ownership, business organisation and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale sales of electricity and certain environmental matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

2. Federal regulations related to the electricity industry

The federal government regulates wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission (**FERC**), which draws its jurisdiction from the Federal Power Act, as amended (the **FPA**), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978, as amended (**PURPA 1978**), and the Public Utility Holding Company Act of 2005 (**PUHCA 2005**).

Electricity generation

All of the Group's project companies in the United States operate as exempt wholesale generators (**EWGs**) under PUHCA 2005 or as owners of qualifying facilities (**QFs**) under PURPA 1978, or are dually certified. In addition, most of the project companies are regulated by FERC under Parts II and III of the FPA and have market-based rate authorisation from FERC. Such market-based rate authorisation allows the project companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind and solar projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale. An EWG cannot make retail sales of electric energy or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate only those limited interconnection facilities necessary to connect wholesale generation to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over "public utilities" that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to regulation under the FPA and to FERC's rate-making jurisdiction. FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and it cannot otherwise erect barriers to market entry. Currently, none of the Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. In the event that FERC's analysis of market power changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to impose mitigation measures or withhold or rescind market-based rate authority and require sales to be made based at cost-of-service rates which could result in a reduction in rates.

FERC generally grants EWGs with market-based rate authority waivers from many of the accounting and record-keeping requirements that are otherwise imposed on traditional public utilities under the FPA. However, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorisation), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to approximately $1.3 million USD per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of Part II of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind or solar-powered generating facility (or the aggregation of all such facilities owned or operated by the same person or its affiliates, using the same energy source and located within one mile of each other) with a net generating capacity of 80 MW or less may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive wholesale markets have the right to require an electric utility to purchase the power generated by such QFs at the utility's avoided cost rate. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. However, states have generally been permitted broad authority to determine avoided cost rates, set additional limitations on the nameplate capacity of QFs eligible for standard offer contracts and modify the tenor of certain contracts for QF sales. Therefore, the precise terms of sale for generation from QF projects vary from state to state. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and the state laws and regulations respecting the rates of electric utilities and the financial and organisational regulation of electric utilities.

On 16 July 2020, FERC issued a final rule revising its PURPA 1978 regulations. The final rule grants state regulatory authorities more flexibility in setting the avoided cost rates utilities must pay to QFs and establishing criteria that QFs must meet prior to obtaining a contract or other legally enforceable obligation for the sale of power to utilities. In addition, the final rule revises the utilities' obligation to purchase power from small power production QFs under 20 MW, the process for challenging a QF self-certification, and the rules used to aggregate and treat as a single facility (for purposes of the 80 MW size limit and other thresholds) small power production QFs that use the same fuel source, are owned or operated by the same person or its affiliates, and are located within a certain distance of each other. The final rule went into effect on 31 December 2020.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on "holding companies" that own or control 10 per cent. or more of the direct or indirect voting interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Wholesale electricity transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy, or take place within centralised clearing markets for capacity and spot energy which facilitates the efficient distribution of energy. Regional power markets have formed within the transmission systems operated by independent system operators (**ISOs**), such as the Midcontinent, California, New York, PJM Interconnection, Southwest, and New England ISOs.

EDP's project companies typically sell power and the associated renewable energy credits (**RECs**) from EDP's electric generation facilities under long-term bilateral PPAs. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices or, in the case of Reactive Supply and Voltage Control Service, at cost-based rates accepted by FERC or at rates set by the relevant ISO. In addition, EDP's project companies may sell RECs under long-term or short-term bilateral agreements. EDP's electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of EDP's projects and electric sales from EDP's projects are dependent on the performance of EDP's counterparties under the interconnection agreements.

NERC reliability standards

FERC has jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation (**NERC**) as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorised NERC to delegate certain functions to six regional reliability entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to approximately $1.3 million USD per day per violation. All of EDP's projects in the United States that meet the relevant materiality thresholds are required to comply with applicable FERC-approved reliability standards for Generation Owners and/or Generator Operators. NERC may also require generators that own certain interconnection facilities to register as Transmission Owners and/or Transmission Operators which may impose additional reliability standards on EDP's projects.

Federal Regulation of Foreign Investment in the United States

The Committee on Foreign Investment in the United States (**CFIUS**) has jurisdiction over foreign investment in a United States business if the investment could threaten U.S. national security. This authority arises out of the Exon-Florio Amendment to the Defense Production Act of 1950, as amended (**Exon-Florio**), which generally authorises the President to disrupt or block a transaction that has resulted or could result in a foreign person gaining control of a United States business if the transaction threatens United States national security. Congress most recently amended Exon-Florio through the Foreign Investment Risk Review Modernisation Act (**FIRRMA**), which was enacted in August 2018, and with certain new requirements implemented effective February 2020.

The President's and CFIUS's authority under Exon-Florio, and as amended by FIRRMA, generally extends to the following three categories of "covered transactions". First, "covered control transactions" are transactions that could result in a foreign person having, directly or indirectly, control over a U.S. business. Control is defined in functional terms as the power, direct or indirect, to determine, direct or decide important matters affecting an entity.

Second, "covered investments" are non-controlling investments by foreign persons in unaffiliated U.S. businesses involved with "critical technologies," "critical infrastructure" or "sensitive personal data (SPD)" (**TID U.S.**

businesses) where the investor is accorded certain "triggering rights." For CFIUS to have jurisdiction over non-controlling investments in a TID U.S. business, the foreign investor must receive one or more of the following triggering rights in the U.S. business: (i) access to material non-public technical information in possession of the U.S. business related to critical technology or covered investment critical infrastructure; (ii) membership or observer rights on, or the right to nominate an individual to a position on, the board of directors or equivalent governing body of the U.S. business; or (iii) involvement, other than through the voting of shares, in substantive decision-making of the U.S. business regarding the use of SPD of U.S. citizens; the development or release of critical technologies; or the operation or supply of covered investment critical infrastructure.

Third, "covered real estate transactions" are transactions involving the purchase or lease by or concession to a foreign party of real estate located in various sensitive locations within the United States if the purchase, lease or concession affords the foreign party certain property rights.

Generally, notifying CFIUS of a "covered transaction" is voluntary. Clearance by CFIUS generally insulates a transaction from adverse action under the statute. However, if a covered transaction is not notified to and cleared by CFIUS, the transaction is indefinitely susceptible to adverse action under Exon-Florio. In addition, while CFIUS ordinarily only examines transactions that have been notified to it, Exon-Florio authorises CFIUS to examine "non-notified" covered transactions. The Group typically has submitted notices to CFIUS as a covered control transaction when it has acquired new wind farm, solar park, or electric generating assets. The Group anticipates that it also will from time to time submit notices to CFIUS regarding covered real estate transactions following the new rules under FIRRMA.

Under FIRRMA, with certain exceptions, transaction parties are required to notify CFIUS of "covered transactions" involving either (a) acquisition of a voting interest of 25 per cent. or more in a U.S. TID business by a foreign person in which a foreign government has a voting interest of 49 per cent. or more; or (b) a controlling or non-controlling investment in a TID U.S. business that produces, designs, tests, manufactures, fabricates or designs one or more critical technologies utilised in connection with the TID U.S. business's activity in one or more of 27 specified industries defined by the North American Industrial Classification System codes or designed by the TID U.S. business specifically for use in one or more of these industries. The Group has not engaged transactions that would require a mandatory filing with CFIUS.

3. State Regulations Related to the Electricity Industry

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited additional ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorisations may involve a more extensive approval process, possibly including an environmental impact evaluation, and are subject to opposition by interested parties or utilities.

4. Renewable Energy Policies

The marked growth in the U.S. renewable energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind and solar power. The primary U.S. federal renewable energy incentive programmes have been the PTC, ITC and MACRS, which allows the accelerated depreciation of certain major equipment components over a five-year period. The principal way in which many states have encouraged renewable generation development is through the implementation of RPS, under which a utility must demonstrate that a certain percentage of its energy supplied to consumers within the applicable state comes from renewable sources. Under many RPS, a utility may demonstrate its compliance through its ownership of RECs. RECs are generally tradable and considered separate commodities from the underlying power that is generated by the resource. A majority of states, the District of Columbia and three U.S. territories have implemented mandatory RPS requirements, and a number of other states and one U.S. territory have implemented voluntary, rather than mandatory, renewable energy goals. Additionally, some states and localities encourage the development of renewable resources through reduced property taxes, state tax exemptions and abatements, and state grants.

Federal Tax Incentives

In the United States, the federal government has supported renewable energy primarily through income tax incentives. Historically, the main tax incentives have been the federal PTC, ITC and the five-year depreciation for eligible assets under MACRS under the Internal Revenue Code of 1986. The PTC is a per kilowatt-hour tax credit for electricity that is generated by qualified energy resources including wind and sold by the taxpayer to an unrelated person during the taxable year. In 2009, the American Recovery and Reinvestment Act allowed renewable energy projects to elect, in lieu of the PTC, an ITC equal to 30 per cent. of the capital invested in the project. The PTC and ITC for wind projects are

available for new projects that begin construction before 1 January 2022. The value of the PTC and ITC was reduced by 20 per cent. for projects that began construction in 2017 and was reduced by 40 per cent. for projects that began construction in 2018 and was reduced by 60 per cent. for projects that began construction in 2019 and is reduced by 40 per cent. for projects that begin construction in 2020 and 2021.

Historically, the main federal tax incentives for solar projects have been an ITC equal to 30 per cent. of the capital invested in the project and the five-year depreciation for eligible assets under MACRS. The 30 per cent. ITC for solar projects is reduced to 26 per cent. for projects that begin construction in 2021 and 2022 and is scheduled to be reduced to 22 per cent. for projects that begin construction in 2023, and to 10 per cent. for projects that begin construction after 31 December 2023. With respect to asset depreciation under MACRS, in February 2008, the Economic Stimulus Act of 2008 provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis for eligible property, including wind and solar property, placed in service before 28 September 2017. In December 2017, The Tax Cuts and Jobs Act (**TCJA**) expanded bonus depreciation to 100 per cent. for eligible property, including wind and solar property, acquired after 27 September 2017 and placed in service before 1 January 2023. The value of bonus depreciation is scheduled to be reduced for property placed in service in 2023 to 80 per cent., in 2024 to 60 per cent., in 2025 to 40 per cent., and in 2026 to 20 per cent., after which the bonus depreciation expires. As of the date of this Prospectus, there can be no assurance that the bonus depreciation will be extended beyond its current expiration. The TCJA also added a requirement that limits the amount of business interest expense that is deductible to the sum of business interest income plus 30 per cent. of the business operating results plus provisions and amortisations and impairments for taxable years beginning before 1 January 2022 and operating results for taxable years beginning on or after that date.

EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives is based in part on the investment structures that EDP entered into with institutional investors in the United States (the Partnership Structures). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that: (i) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives; or (ii) EDP will otherwise be able to realise the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

State Renewable Portfolio Standards

In addition to U.S. federal tax incentives, at the state level, RPS provide support for EDP's business by specifying that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources (typically between 15 per cent. and 25 per cent. by 2020 or 2025, although recently some states raised to 50 per cent. or more the target for procurement from renewable or carbon-free sources) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency, as of September 2020, 30 U.S. states, the District of Columbia and three U.S. territories have mandatory RPS requirements, while an additional eight states and one US territory have adopted non-mandatory renewable energy goals. Within states, municipalities that have authority over electric utilities may also choose to adopt renewable energy incentives. For states with mandatory targets, most state RPS administrators require utilities to secure RECs to demonstrate compliance with the RPS requirement. Although additional states may consider the enactment of an RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified.

5. Permitting and Environmental Compliance

Construction and operation of wind and solar generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licences, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds, bats and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or require some federal licence or permit, or federal funding, generally require the review of the potential environmental effects of the action pursuant to the National Environmental Policy Act (**NEPA**), which requires that the public be afforded an opportunity to review and comment on the proposed project. Other federal environmental reviews that would be triggered by a discretionary federal agency action to license, permit or fund a project include a review of the project's effects on listed species and designated critical habitat under section 7 of the Endangered Species Act (**ESA**) to ensure that the permitted project includes sufficient avoidance, minimisation and mitigation measures to avoid jeopardising the continued existence of a species and/or adversely modifying designated critical habitat.

Depending on the species, the U.S. Fish and Wildlife Service (**USFWS**) and the National Marine Fisheries Service (**NMFS**) are charged with enforcement of federal environmental laws protecting endangered and threatened species, marine mammals, migratory birds, and bald and golden eagles as well as the habitat supporting such species. The ESA, Marine Mammal Protection Act (**MMPA**), Migratory Bird Treaty Act (**MBTA**) and Bald and Golden Eagle Protection Act (**BGEPA**) each prohibit the "take" of species protected by the particular statute. Generally, prohibited "take" of species includes activities that kill, injure, or capture a protected species and, for the ESA and MMPA, extend to certain activities that modify habitat or disrupt normal behavioural patterns.

The USFWS has issued voluntary guidelines for land-based wind energy projects, which outline the USFWS regulatory requirements under the ESA, MBTA and BGEPA and provide project developers with guidance as to how to assess potential impacts and avoid or minimise significant adverse impacts of a project on species and habitats. While a project developer who adheres to the USFWS guidelines is not relieved of potential liability should a violation of any of these statutes arise, the USFWS may consider a developer's documented efforts to engage with the agency and follow the guidelines in the scoping of any enforcement action or penalty. Additionally, the USFWS also manages a permitting regime for take under BGEPA through which developers adopt conservation measures to avoid and/or minimise the "take" of eagles to the maximum extent possible. Under the permitting regime, the USFWS may issue an incidental take permit for a set duration, between five and thirty years, depending on the nature of the activities, impact on eagles, and mitigation measure taken by the recipient. Special requirements for avoidance, minimisation, or mitigation measures are required for permits with a duration of greater than five years. At present, there is no similar permitting or incidental take authorisation programme for the MBTA.

The Bureau of Ocean Energy Management (**BOEM**), a federal agency within the DOI, oversees the production, transportation, or transmission of energy from renewable energy projects, including offshore wind projects, which are developed on the Outer Continental Shelf (**OCS**). BOEM has authorisation to issue leases, easements and rights of way to allow for renewable energy development on the OCS. BOEM is required to coordinate with relevant federal agencies and affected state and local governments with respect to leases and grants issued and ensure that renewable energy development takes place in a safe and environmentally responsible manner. In addition, developers of offshore wind projects must comply with the MMPA, which prohibits the “take” of marine mammals. Under the MMPA, USFWS or NMFS can authorise the incidental harassment or incidental take of small numbers of marine mammals if there will be a negligible impact on the species. These authorisations are for a set duration, one to five years depending on the severity and duration of the impact, and include mitigation, monitoring, and reporting measures.

Other federal reviews, permits, or authorisations may be required where a renewable energy project involves or impacts federal lands, federally regulated natural resources, or other areas of federal authority. For example, wind farms with structures which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. Likewise, wind and solar projects must comply with permitting and mitigation requirements relating to impacts on wetlands, water quality, and wastewater discharge under the Clean Water Act, for project activities in or in proximity to waters of the United States. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems. Further, the listing of new species and the designation of new or revised critical habitat protected under the ESA could adversely affect new project development and potentially involve new restrictions on existing project operations where there is retained federal discretionary authority associated with the project permit, license or funding.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. In addition to state permitting regimes for the protection of waterways and other natural resources, certain state environmental laws require the preparation of an environmental assessment or impact report similar to the federal review required under NEPA, while some states require a meeting be held to solicit comments from affected local landowners and local authorities. Some states have also adopted wind energy siting guidelines that may be similar to the USFWS guidelines, sometimes enforced through state environmental processes akin to NEPA review.

The United States is one of the most attractive markets globally for renewable energy generation in terms of total installed wind capacity and continued growth. According to the American Clean Power Association (**ACP**), the installed capacity of onshore wind farms in the United States is 125GW, and now represents the third largest source of electricity generating capacity in the United States. Similarly, ACP reports that installed utility scale solar PV facilities generate 46 GW of electricity, which is enough to power 11 million homes. According to the U.S. Energy Information Administration, in 2020, wind energy provided approximately 8.4 per cent. and solar energy provided approximately 2.3 per cent. of the United States' electricity generation.

MANAGEMENT OF EDP

Corporate Governance Model

EDP's shareholders approved its current corporate governance model at the annual general shareholders' meeting (when referring to EDP, the **AGSM**) held on 30 March 2006, which entered into force on 30 June 2006. The corporate governance model is structured as a two-tier system, composed of an executive board of directors (the **Executive Board of Directors**) and a general and supervisory board (the **General and Supervisory Board**). The Executive Board of Directors is EDP's managing body and is responsible for its management and for developing and pursuing EDP's strategy.

The Executive Board of Directors must be composed of at least five and no more than nine directors, all of whom undertake executive positions. Under the current mandate of 2021-2023, the Executive Board of Directors is composed of five directors who were elected at the extraordinary general shareholders' meeting held on 19 January 2021. The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the EDP Group's activities and reviewing and approving important transactions involving the EDP Group. The General and Supervisory Board must be composed of at least nine members and must at all times have more members than the Executive Board of Directors. All members of the General and Supervisory Board undertake non-executive positions. EDP complies with the corporate governance provisions included in the Portuguese Companies Code and in the Portuguese Securities Code and, since 2018, EDP has adopted the Corporate Governance Code issued by the Portuguese Institute for Corporate Governance following the entry into force of the Protocol signed on 13 October 2017 between the CMVM and the Portuguese Institute for Corporate Governance. EDP fully complies with the provisions included in the Corporate Governance Code issued and amended from time to time by the Portuguese Institute for Corporate Governance, with the exception of the following recommendation:

Recommendation II.5

The articles of association, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits. This recommendation has not been adopted on the basis of the considerations below.

Considering the current shareholder structure of EDP, this recommendation does not have any practical applicability. However, over the past few years, the subject of statutory limitation on voting rights has already been discussed by the general shareholders' meeting of EDP on three occasions, the last of which occurred on 24 April 2019.

The shareholders have thus been called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed, and the reflection on the adjustment of the relevant ceiling for counting voting rights has been precisely to progressively increase this level.

The shareholding dynamics of EDP has thus proven to be perfectly in tune with the sense advocated in this recommendation, and to be sufficiently appropriate for pursuing its goals, avoiding rigid formulas for this review set down in the articles of association, which has also fostered a particularly intense scrutiny of this clause by shareholders, and does not constitute an impediment to adequate functioning of the market for corporate control.

These circumstances confirm that the voting cap does not prevent the relevant shareholders' involvement in EDP's corporate governance, again bearing in mind that three resolutions of the general shareholders' meeting have been adopted, from 2011 to 2019, regarding this statutory limitation.

In effect, the voting limitation set forth in article 14 of the articles of association reflects the express wish of EDP's shareholders through the general meeting resolutions, in the defense of EDP's specific interests: (i) the increase of the limit from 5 per cent. to 20 per cent. was approved by the shareholders at the general meeting of 25 August 2011, involving the participation of 72.25 per cent. of the share capital and the approval of a majority of 94.16 per cent. of the votes cast; (ii) a subsequent increase to the current 25 per cent. cap was approved at the general meeting of 20 February 2012, involving the participation of 71.51 per cent. of the share capital and the approval by a majority of 89.65 per cent. of votes cast and (iii) the removal of the voting cap set out in the articles of association was rejected by a majority of 56.61 per cent. of votes cast, with the participation of 64.29 per cent. of the share capital.

Executive Board of Directors

The Executive Board of Directors, together with EDP's executive officers, manages EDP's affairs and monitors the daily operation of EDP's activities in accordance with Portuguese law and EDP's articles of association. Executive officers are in charge of EDP's various administrative departments and report directly to the Executive Board of Directors. Companies within the Group are managed by their respective boards of directors. The names of the current

directors on the Executive Board of Directors, along with their principal affiliations and certain other biographical information, are set forth below. Current external appointments as at the date of this Prospectus are:

Name	Year of Birth	Position	Year Originally Elected	Last Election
Chief Executive Officer				
Miguel Stilwell de Andrade	1976	Chairman	2012	2021
Members				
Miguel Nuno Simões Nunes Ferreira Setas	1970	Executive Director	2015	2021
Rui Manuel Rodrigues Lopes Teixeira.....	1972	Executive Director	2015	2021
Vera de Morais Pinto Pereira Carneiro.....	1974	Executive Director	2018	2021
Ana Paula Garrido de Pina Marques.....	1973	Executive Director	2021	-

Full Name	**Miguel Stilwell de Andrade**
Position	Executive Board of Directors Member elected in February 2012, (reappointed in April 2015, April 2018 and January 2021). Interim chairman of the Executive Board of Directors since 6 July 2020 (appointed by the General and Supervisory Board and the Executive Board of Directors) and chairman of the Executive Board of Directors since January 2021.
Skills and Experience	Degree in Mechanic Engineering – Strathclyde University (1998) | MBA - MIT Sloan (2003) | Mergers and Acquisitions – UBS Investment Bank (UK) (1998-2000) | Strategy and Corporate Development Area – EDP (2000-2005) | Strategy and Corporate Development Director – EDP (2005-2009) | Board of Directors Member – EDP-Redes and Board Member of other companies within the Group (2009-2012) | CEO – EDP Comercial (2012-2018) | CEO - EDP España (2012-2018) | Vice-Chairman and CEO - EDP Renováveis (2021)
Current External Appointments	ISEG MBA (Member of the Strategic Counsel) | Member of the General Board – AEM – Association of Listed Companies (2021)
Full Name	**Miguel Nuno Simões Nunes Ferreira Setas**
Position	Executive Board of Directors Member elected in April 2015 (reappointed in April 2018 and January 2021)
Skills and Experience	Degree in Physics Engineering – Higher Technical Institute (1993) | Masters in Electronic and Computing Engineering – Higher Technical Institute (1995) | MBA – Nova University of Lisbon (1996) | Consultant – McKinsey & Company (1995-1998) | Corporate Director - GDP - Gás de Portugal (1998-2000) | Board Member - Setgás (1999-2001) | Executive Board Member – Lisboagás (2000-2001) | Strategic Marketing Director – Galp Energia (2001-2004) | Board Member – Comboios de Portugal (2004-2006) | Chief of Staff of the Chairman of the Executive Board of Directors Chairman – EDP (2006-2007) | Board Member – EDP Comercial (07-08) | Board Member - EDP Inovação (2007-2008 / 2012-2014) | Vice-Chairman– EDP Brasil (2008-2013) | Vice-Chairman – EDP Brasil (2008-2013) | CEO – EDP Brasil (2013-2021) | Chairman of the Board of Directors – EDP Brasil (2021) | Board Member - EDP Renováveis (2021)
Current External Appointments	Vice-Chairman of the Board – BCSD Portugal (2021)
Full Name	**Rui Manuel Rodrigues Lopes Teixeira**
Position	Executive Board of Directors Member elected in April 2015 (reappointed in April 2018 and January 2021)
Skills and Experience	Degree in in Naval Engineering - Higher Technical Institute (1995) | MBA – Nova University of Lisbon (2001) | Advanced Management Programme - Harvard Business School (2013) | Assistant Director of the Naval Commercial Department - Gellweiler (1996-1997) | Project manager - Det Norske Veritas (1997-2001) | Consultant - McKinsey & Company (2001-2004) | Corporate Control and Planning Director – EDP (2004-2007) | CFO – EDP Renováveis (2019)
Current External Appointments	Board Member - OMIP SGPS, S.A. and OMEL (2021)

Full Name	**Vera de Morais Pinto Pereira Carneiro**
Position	Executive Board of Directors Member elected in April 2018 (and reappointed in January 2021)
Skills and Experience	Economics Degree – Nova University of Lisbon (1996) | Post-graduation in Economics – Nova University of Lisbon (1998) | MBA – INSEAD, Fontainebleau (2000) | Associate – Mercer (1996-1999) | Founder – Innovagency Consulting (2001-2003) | Television Service Director – TV Cabo – PT Multimédia (2003-2007) | Television Service Director – MEO (2007-2014) | Executive Vice-Chairman and General Director (Portugal and Spain) - Fox Networks Group (2014-2018) | Commercial *Consejera* – EDP España (2021) | Chairman – Fundação EDP (2021) | Board Member - EDP Renováveis (2019) | Board Member - EDP Brasil (2019)
Current External Appointments	Board Member - Portuguese Institute of Corporate Governance (2019) | Board Member – Charge up Europe (2020) | Chairman - Portuguese-Chinese Chamber of Commerce and Industry (2021)
Full Name	**Ana Paula Garrido de Pina Marques**
Position	Executive Board of Directors Member elected in January 2021
Skills and Experience	Economics Degree – Faculdade de Economia do Porto (1996) | MBA – INSEAD, France and Singapore (2002) | Executive Education Programs at IMD in Lausanne and Harvard Business School (2008, 2009) | Marketing at Procter & Gamble (1996-1998) | SMEs Business Unit at Optimus (1998) | Marketing Director of the Mobile Residential Business Unit at Optimus (2003-2007) | Brand and Communication Director at Optimus (2005-2007) | Marketing and Sales Director of the Mobile Residential Business Unit at Optimus (2008-2009) | Executive Board Member of Optimus (2010-2013) | President of APRITEL (Portuguese Association of Telecom Operators) (2011-2014) |Executive Board of Directors Member at NOS, SGPS, S.A. (2013-2020) | Vice-President at NOS, SGPS, S.A. (2019-2020) | Non-Executive Board Member of SportTV (2016-2021) | Board Member - EDP Renováveis (2021) | Board Member - EDP Brasil (2021)
Current External Appointments	Chairman of the Governing Board – ELCPOR (2021) | Member of the General Board – COTEC Portugal (2021)

General and Supervisory Board

In accordance with the applicable law and EDP's articles of association, the General and Supervisory Board has created specialised committees for dealing with matters of particular importance, which are composed exclusively of Members of the Board itself with appropriate qualifications, experience and availability. Their main mission is to carry out the continuous monitoring of the matters entrusted, in order to facilitate the analysis and main decision-making processes of the General and Supervisory Board.

The General and Supervisory Board holds four specialised committees:

- the Financial Matters Committee / Audit Committee;
- the Remuneration Committee;
- the Corporate Governance and Sustainability Committee; and
- the United States of America Business Affairs Monitoring Committee (**USA Business Affairs Monitoring Committee**).

In the case of the Financial Matters Committee / Audit Committee and the Remuneration Committee, they were set up in response to legal and statutory requirements. The Corporate Governance and Sustainability Committee and the USA Business Affairs Monitoring Committee were created at the initiative of the General and Supervisory Board.

Name	Year of Birth	Position	Year Originally Elected	Last Election
João Luís Ramalho Carvalho Talone	1951	Chairman (Independent)	2021	-
China Three Gorges Corporation (represented by Dingming Zhang)	1963	(Non-Independent)	2012	2021
China Three Gorges International Limited (represented by Shengliang Wu)	1971	Member (Non-Independent)	2021	-
China Three Gorges (Europe), S.A. (represented by	1974	Member (Non-	2012	2021

Ignacio Herrero Ruiz).....		Independent)		
China Three Gorges Brasil Energia Ltda (represented by Li Li)	1963	Member (Non-Independent)	2018 (originally represented by Yinsheng Li)	2021
China Three Gorges (Portugal), Sociedade Unipessoal, Lda. (represented by Miguel Espregueira Mendes Pereira Leite)	1963	Member (Non-Independent)	2015 (originally represented by Eduardo de Almeida Catroga)	2021
DRAURSA, S.A. (represented by Felipe Fernández Fernández)	1952	Member (Non-Independent)	2015	2021
Fernando María Masaveu Herrero	1966	Member (Non-Independent)	2012	2021
João Carvalho das Neves	1956	Member (Independent)	2015	2021
María del Carmen Fernández Rozado	1952	Member (Independent)	2015	2021
Laurie Lee Fitch	1970	Member (Independent)	2018	2021
Esmeralda da Silva Santos Dourado	1953	Member (Independent)	2021	-
Helena Sofia Silva Borges Salgado Fonseca Cerveira Pinto	1970	Member (Independent)	2021	-
Sandrine Dixson-Declève.....	1966	Member (Independent)	2021	-
Zili Shao	1959	Member (Independent)	2021	-
Luís Maria Viana Palha da Silva	1956	Member (Independent)	2019	2021

Full name	**João Luís Ramalho Carvalho Talone**
Status	Independent
Position	General and Supervisory Board Chairman
Committees	Corporate Governance and Sustainability Committee Chairman | USA Business Affairs Monitoring Committee Chairman
Skills and Experience	Assistant Professor of "Operational Research" and "Statistics" – IST (1972-1975) | Invited Auxiliar Professor of "International Finance" – Nova SBE (1985-1987) | Degree in Advanced Management Program - Harvard Business School (2002) |Master of Science degree in Civil Engineering - Technical University of Lisbon | Certificate in Corporate Governance - INSEAD (2018) | Executive Program - Singularity University in Silicon Valley (2020) | Executive Board Member – BCP (1987-2001) | Chairman - Foreign & Colonial in London | Special Commissioner for the Portuguese Government - IPE (2002-2003) | CEO – EDP – Energias de Portugal, S.A. (2003-2006) | Vice-Chairman – HidroCantábrico (2005) | Co-founder – Hyperion (2006) | Co-founder - Magnum Capital | Chairman – IBERWIND (2008-2015) | Member - Corporate Finance Standing Committee – ESMA (2010-2013) | Advisory Board member - Banco de Portugal (2018-2020) | MBA - Nova SBE/Wharton (currently)
EDP Historic Appointments	General and Supervisory Board Chairman (since April 2021)
Current External Appointments	Non-executive Board Member – ITA CARE | Non-executive Board Member – Lacer | Non-executive Board Member – Miranza | Non-executive Board Member – ROQ | Member - Engineers Academy

Full name	**Dingming Zhang (representing China Three Gorges Corporation)**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	-
Skills and Experience	Bachelor's degree in Power System and Automation - Huazhong University of Science and Technology (1984) | Master's degree in Management - Huazhong University of Science and Technology (2001) | Deputy Director of Power Production Department - China Three Gorges Corporation (2002) | Executive Vice President - China Yangtze Power Company (2002-2011) | Director - Guangzhou Development

	Industry
EDP Historic Appointments	General and Supervisory Board Vice Chairman, in representation of China Three Gorges (February 2012 – April 2015) | General and Supervisory Board Member, in representation of CWEI (Europe), S.A. (April 2015 - April 2018) | General and Supervisory Board Member, in representation of China Three Gorges International Corporation (April 2018 - December 2018) | General and Supervisory Board Vice Chairman, in representation of China Three Gorges Corporation (December 2018 – April 2021)
Current External Appointments	President - Beijing Yangtze Power Capital (since 2015) | Vice-President - China Three Gorges Corporation (since 2018)

Full name	**Shengliang Wu (representing China Three Gorges International Corporation)**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	-
Skills and Experience	Bachelor's degree in Engineering –Wuhuan University (1992) | Master's degree in Technical Economics and Management – Chongqing University (2000) | Secretary of Corporate Affairs Department - Gezhouba Hydropower Plant (1998-2000) | Deputy Director of the Board - China Yangtze Power Company (2002-2003) | Director of Capital Operating Department - China Yangtze Power Company (2004-2006) | Executive Vice-President - Beijing Yangtze Power Capital (2006-2011) | Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011) | Deputy Director of Strategic Planning Department – China Three Gorges Corporation (2011-2015) | Executive Vice-President - China Three Gorges International Corporation (2015-date) | Chairman - China Three Gorges (Europe), S.A. (2015-2020)
EDP Historic Appointments	General and Supervisory Board Member, in representation of China Three Gorges International (Europe), S.A. (February 2012 – April de 2015) | General and Supervisory Board Member, in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda. (April 2015 - April 2018) | General and Supervisory Board Member, in representation of China Three Gorges (Europe), S.A (April 2018 - December 2018)
Current External Appointments	Chairman - China Three Gorges International Limited (since 2015)

Full name	**Ignacio Herrero Ruiz (representing China Three Gorges (Europe) S.A.)**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member
Skills and Experience	Degree in Economics - Carlos III University (Madrid) (1997) | Credit Risk Management Department - Citigroup (1997-1998) | Mergers and Acquisitions Department - Deutsche Bank (1998- 2007) | Mergers and Acquisitions Department - Credit Suisse (2007-2016)
EDP Historic Appointments	General and Supervisory Board Member, in representation of China Three Gorges (Europe), S.A., since December 2018
Current External Appointments	Chief Executive Officer at China Three Gorges Corporation (Europe), S.A. (since 2021, formerly Senior Executive Vice President since 2016)

Full name	**Li Li (representing China Three Gorges Brasil Energia Ltda.)**
Status	Non-independent

Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member.
Skills and Experience	Bachelor's degree in International Business with a major in Hydropower Engineering | First-class Constructor in China | Assistant Engineer at Planning Department – CWE (1984-1985) | Assistant Engineer/Engineer – CWE Tunisian Branch (1985-1989) | Engineer at Hydropower Department – CWE (1989-1993) | Engineer – CWE Romanian Branch (1994-1995) | Senior Engineer at Hydropower Department – CWE (1995-1999) | Project Manager (the Odaw Drainage Channel) – CWE (1999-2000) | Deputy General Manager - CWE (2000-2001) | Project Manager (the Water Mains) – CWE (2001-2003) | Deputy/General Manager at International Business Department – CWE (2003-2011) | Vice-Chairman – CWE (2011-2015); Chairman – CWE (2015-2017) | Executive Director – CWE (2017-2019)
EDP Historic Appointments	General and Supervisory Board Member, in representation of China Three Gorges Brasil Energia Ltda., since December 2019 (re-elected in April 2021)
Current External Appointments	Deputy Chief Economist – China Three Gorges (since 2019)

Full name	**Miguel Espregueira Mendes Pereira Leite (representing China Three Gorges (Portugal), Sociedade Unipessoal, Lda.)**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Chairman
Skills and Experience	Degree in Law - Portuguese Catholic University (1987) | Management Course – Executive Program - PBS – Porto Business School (1996) | Founder - Atlantic SGOIC, S.A. (2005) | Chairman and CEO - Morgan Stanley – Portugal SGFIM SA (2001-2003) | Head of Morgan Stanley´s local operation in Portugal (1999 -2003)| Manager - Morgan Stanley – Portugal (Holding) (2001-2003) | Management Committee - Morgan Stanley SV SA (Spain) (2000-2003) | Executive Director at Morgan Stanley International (2001-2003) | Board Member - Banco Chemical Finance (1998-1999) | Member of the Executive Committee - Banco Chemical Finance (1998-1999) | Managing Director - private banking division of Banco Pinto & Sotto Mayor (1996-1999) | Managing Director private banking division of Banco Totta & Açores (now Bank Santander Portugal) (1998-1999 | Chairman of the Board - M.C. Geste - Asset Management Company (now Santander Gest SGP) (1997-1999) | Private banking director - Millennium BCP (1987-1996)
EDP Historic Appointments	General and Supervisory Board Member, in representation of China Three Gorges (Portugal), Sociedade Unipessoal, Lda., since April 2021
Current External Appointments	Chairman and CEO - Atlantic SGOIC, S.A. (since 2005) | Board Member - Liminorke S.A. (since 2009) | Chairman – Oporto Municipal Assembly (since 2014)

Full name	**Felipe Fernández Fernández (representing DRAURSA, S.A.)**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | USA Business Affairs Monitoring Committee Member
Skills and Experience	Degree in Administrative and Economic Sciences – Bilbao University (1975) | Professor of Business and Economic Faculty – Oviedo University (1984-1990) | Director of Economics and Regional Planning - Principality of Asturias (1984-1990) | Counsellor of Organisation of the Territory and Housing – Principality of Asturias (1990-1991) | Counsellor of countryside and fishing - Principality of Asturias (1991-1993) | Manager on several companies on in numerous fields

EDP Historic Appointments	General and Supervisory Board Member in representation of Cajastur Inversiones S.A., (February 2012 - April 2015) | General and Supervisory Board Member, in representation of DRAURSA, S.A., since April 2018 (re-elected in April 2021)
Current External Appointments	Board of Director Member – Liberbank (since 2011) | Chairman of Board of Directors - Lico Leasing (since 2017) | Executive Commission Member - Lico Leasing (since 2018) | Board of Director Member - Tudela Veguín (since 2011) | Masaveu Inmobiliaria (2014) | Cimento Verde do Brasil (since 2014) | Board of Directors Member – Molecular Oncology Medicine Institute of Asturias (since 2014)

Full name	**Fernando María Masaveu Herrero**
Status	Non-independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member
Skills and Experience	Law Degree – Navarra University (1992) | Chairman on several companies of Masaveu Group in numerous fields such as energy, finance, transport, environment and real state, among others
EDP Historic Appointments	General and Supervisory Board Member, since February 2012 (re-elected in April 2015,April 2018 and April 2021)
Current External Appointments	Chairman - Masaveu Corporation | Chairman - Cementos Tudela Veguín | Chairman of the Board – Oppidum Capital | Chairman of the American companies - Masaveu Real Estate US Delaware LLC, Oppidum Renewables USA Inc. and Oppidum Green Energy USA LLC | Board Member – American Cement Advisors Inc. | Board Member – EGEO Internacional and EGEO, SGPS | Board Member – EDP España | Joint Manager – Flicka Forestal | Board Member - Bankinter | Executive Committee Member - Bankinter | Remuneration Committee Member – Bankinter Board Member - Línea Directa Aseguradora | Chairman - Maria Cristina Masaveu Peterson Foundation | Chairman - San Ignacio de Loyola Foundation | Trustee – Princess Asturias Foundation | Delegate Committee Member – Princess of Asturias Foundation | Assets Committee Member – Princess of Asturias – Foundation | Member of the International Council – MET, New York | International Trustee – Friends of the Prado Museum Association

Full name	**João Carvalho das Neves**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | Financial Matters Committee/Audit Committee Chairman
Skills and Experience	Ph. D. in Business Administration - Manchester Business School Manchester University (1992) | Master in Management/MBA – ISEG – Institute of Economics and Management (1985) | Bachelor in Business Administration – ISEG Institute of Economics and Management - Lisbon University (1981) | Professional designations: Certified accountant (1981) | Statutory Auditor (1995) | FRICS - Fellow of Royal Institution of Chartered Surveyors (2008) | Recognised European Valuer (2018) and Recognised Business Valuer (2021) by TEGoVA | Certified Teacher of MBSR by the University of California San Diego Center for Mindfulness Professional Training Institute (2016) | Experience: Member of the Board - ERES European Real Estate Society (2019-2021) | President of Central Administration of the Portuguese Health System (2011-2014) | Chairman of the Management Department – ISEG (2010-2011) | Board Member - BPN (2008) | CEO and CFO - SLN (2008-2009| Chairman of the Management Department - ISEG (2007-2008) | Partner and Statutory Auditor - Neves, Azevedo Rodrigues e Batalha, SROC (1995-2008) | Judicial Manager of Torralta (1993-1998); Casino Hotel de Tróia (1994-1995); TVI (1997-1998) | Associate Consultant - Coopers & Lybrand (1992-1993) | General Manager -

	CIFAG/IPE (1987-2002) | Trainer and General Director - CIFAG/IPE (1985-1992) | Executive Deputy Controller - Cometna SA (1981-1985) | Executive training: Finance and Control - IMD (1986) | Management Control - HEC Paris (1987) | International Finance - INSEAD (1987) | Leadership - Kennedy Harvard Government School (2009) | Leadership Development Programme - Creative Leadership Center (2010) | Coaching for Performance - London Business School (2010) | Diploma in Advanced Mindfulness and Emotional Intelligence Teachers Training (2017) - Search Inside Yourself – Leadership Institute (SIYLI) in San Francisco
EDP Historic Appointments	Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018 and April 2021)
Current External Appointments	Professor - Management Department - ISEG (since 1992) | Director of the Post-graduation in Management and Real Estate Valuation (since 2000) and Director of the Post-graduation of Management of Healthcare Institutions (since 2020) - ISEG | Member of the School Board - ISEG Lisbon University (since 2014) and Vice-President (since 2021) | Management Consultant through the company Zenaction Business Consulting (since 2014) | Independent non-executive board member - Montepio - Valor SGOIC (since 2017) | Member of Valuation Professional Group - RICS Portugal (since 2020) | Member of the European Business Valuation Standards Board - TEGoVA (since 2020) | Mentor of Mindfulness Center of the University of California at San Diego

Full name	**María del Carmen Fernández Rozado**
Status	Independent
Position	General and Supervisory Board Member
Committees	Financial Matters Committee/Audit Committee Member | Corporate Governance and Sustainability Committee Member
Skills and Experience	Degree in Economics and Business Administration and Political Sciences and Sociology - Complutense University of Madrid (1978) | State Tax Inspector (1984) | Account Auditor (1988) | Chief-Inspector in Spanish Ministry of Economy and Finance (1985-1986) | Deputy Head of the State Tax Inspection Office (1987- 1996) | Head of the State Tax Inspection Office (1996-1999) | PhD in Public Finance - Complutense University of Madrid (1998) | President of the Task Force for Renewable Energies, Sustainability and Carbon Markets - ARIAE (1999-2011) | PADE Management Program MBA - IESE Business School (2004-2005) | Member of the Advisory Board - Ernst & Young (2012-2013)
EDP Historic Appointments	Independent General and Supervisory Board Member since April 2015 (re-elected in April 2018 and April 2021)
Current External Appointments	Member of Audit Committee – ACS Group (since 2017) | Member of the executive committee – ACS group (since 2020) | Member of the Advisory Board - Beragua Capital (since 2015) | Member of the board – Primafrio SL. (since 2021) | Chairman of Audit committee – Primafrio SL (since 2021)

Full name	**Laurie Lee Fitch**
Status	Independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member | USA Business Affairs Monitoring Committee Member
Skills and Experience	B.A. in Arabic - American University (1991) | M.A. - Georgetown University's School of Foreign Service (1994) | Assistant Vice-President - Bank of New York (1994-2000) | Associate - Schroders plc (1999-1900) | Associate - UBS Warburg (2000-2002) | Managing Director and Director of International Equity Research - TIAA-CREF (2002-2006) | Analyst and Portfolio Manager - Artisan Partners (2006-2011) | Managing Director and Co-Head, Global Industrial Group, Investment Division - Morgan

	Stanley as Head of the Global Industrials Group in Europe (2012-2016) | Partner at PJT Partners (since 2016) Chairman of the Remuneration Committee and member of the safety and risk Committee - Enquest PLC (2018-2021)
EDP Historic Appointments	General and Supervisory Board Member since April 2018 (re-elected in April 2021)
Current External Appointments	Co-opted member of both Audit and Finance & Operations sub-committees - Tate Board of Trustees (since 2015) | Trustee of The American University in Cairo (since 2019) | Chair of the University's Center for Contemporary Arab Studies

Full name	**Esmeralda da Silva Santos Dourado**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member | USA Business Affairs Monitoring Committee Member
Skills and Experience	Degree in Chemical Industry Engineering – Instituto Superior Técnico (1975) | Advanced Corporate Finance - Harvard University (1985) | Responsible for Industrial area and New Business Development (1978) | Vice-President and Chief Corporate Banking Head - Citibank (1985 – 1990) | Board Member Banco Fonsecas & Burnay | Board Member - União de Bancos Portugueses | Boards Member - Interbanco (currently Banco Santander Consumer Portugal) | CEO - SAG SGPS SA Portugal (2000-2009) | Chairwoman - SAG SGPS SA Brazil (2000-2009) | PARTAC SGPS SA – Chairwoman (2012-2018) | Non-Executive Board Member and Member of the Investment Committee - BCP Capital SA (2013-2020) | Chairwoman - PNCB - Bank Credit Restructuring Platform, A.C.E. (2018-2020) | CEO - FAE - Forum de Administradores e Gestores de Empresas (2007-2013) | Member of Executive Committee - EMCE - Mission Structure for Company Capitalization (2015-2017) | President of Supervisory Board - Fundação Luso-Brasileira (2005) | Member of General Council - IPCG - Instituto Português de Corporate Governance (2010) | CEO - AMC - Associação Missão Crescimento (2013-2015) | Member of the General Council - Universidade de Coimbra (2017-2020)
EDP Historic Appointments	General and Supervisory Board Member since April 2021
Current External Appointments	Non-Executive Board Member and Audit Committee Chairwoman – TAP SGPS SA (2017) | Supervisory Member Board - Mystic Invest Holding SA (2018)

Full name	**Helena Sofia Silva Borges Salgado Fonseca Cerveira Pinto**
Status	Independent
Position	General and Supervisory Board Member
Committees	Financial Matters Committee/Audit Committee Member | USA Business Affairs Monitoring Committee Member
Skills and Experience	PhD in Business Studies - Warwick University (UK) | MSc and BSc in Management - Universidade Católica Portuguesa | High Potentials Leadership Program Certificate - Harvard (2012) | International Directors Programme – INSEAD (2019) | Professor - Católica Porto Business School (2013 – 2020) | Hospitality and Entertainment Industry | Author of a book, book chapters, articles and opinion articles
EDP Historic Appointments	General and Supervisory Board Member since April 2021
Current External Appointments	Independent Board Member - Mota-Engil SGPS (since April 2018) | President of the Fiscal Board - Media Capital, SA (since November 2020) | Member of the EQUIS Board - EFMD (since 2019) | Member of the International Advisory Board of 2 international Business Schools in UK (since 2019) and France (since 2020) | Member - Porto Coordination Group of ACEGE (Association of Christian Managers) (since 2013) | Member - Diocesan Commission for the Interreligious Dialogue (since 2020)

Full name	**Sandrine Dixson-Declève**
Status	Independent
Position	General and Supervisory Board Member
Committees	Corporate Governance and Sustainability Committee Member
Skills and Experience	Co-founder - Women Enablers Change Agent Network (since 2017) | Chief Partnership Officer - UN Agency Sustainable Energy for All (2016-2017) | Director - Prince of Wales's Corporate Leaders Group (2009-2016) | EU office - Cambridge Institute for Sustainability Leadership (2009-2016) | Executive Director - Green Growth Platform (2013-2016) | Advising - HRH The Prince of Wales (2009-2016) | Advising - Members of the European Parliament, European Commission Presidents, Commissioners and officials, Governments in Asia, Africa and the Middle East, international organizations (OPEC, ADB, OECD, UNEP, USAID, UNFCCC, IEA) and business leaders of large international, European and African companies (1990-ongoing) | Vice Chair - European Biofuels Technology Platform (2008-2016) | Board member - We Mean Business (2014-2016) | Member – The Guardian's Sustainable Business Advisory Board (2014-2016) | Member of Sustainability Advisory Board - Oil and Gas major Sasol (2007-2010) | Published articles, book chapters and given presentations on green growth and competitiveness, innovation, low carbon energy solutions, climate change, sustainable development, transport, conventional and alternative fuel quality legislation as well as on trade & environment (1990-ongoing)
EDP Historic Appointments	General and Supervisory Board Member since April 2021
Current External Appointments	Co-President – The Club of Rome (2018-ongoing) | Chair and Expert Group on Economic and Societal Impact of Research & Innovation – European Commission (2020-ongoing) | Assembly Member - Climate Mitigation & Adaptation Mission (2019-2020) | TEG Sustainable Finance Taxonomy and Sustainable Finance Platform (2018-2021) | Food Summit Action Track 5 Resilience - United Nations (2020-2021) | Senior Associate and faculty Member - Cambridge Institute for Sustainability Leadership (2016-ongoing) | Senior Associate - E3G (2017-ongoing) | Ambassador - Energy Transition Commission (2018-ongoing) and WEALL (2020-ongoing). Advisory Boards: ClimateKIC (2018-ongoing), BMW (2020-ongoing), UCB (2020-ongoing), UCL Bartlett School (2020-ongoing), IEEP (2020-ongoing)

Full name	**Zili Shao**
Status	Independent
Position	General and Supervisory Board Member
Committees	Remuneration Committee Member
Skills and Experience	Bachelor of Laws - China University of Political Science and Law (1980–1984) | LLM - University of Melbourne (1988–1991) | Citic Group, Beijing (1984-1986) | Solicitor - Mallesons Stephen Jaques, Melbourne (1990–1994) | Partner - Allens Arthur Robinson, Sydney (1995-1998) | Partner - Linklaters LLP; Managing Partner of Asia Pacific; Member of Global Management Committee (1998 –2009) | Chairman & CEO - J.P. Morgan China (2010–2014) | Vice Chairman - J.P. Morgan Asia Pacific (2014–2015) | Co-Chairman and partner - King & Wood Mallesons, China (2015–2017) | Qualified lawyer - PRC, UK, HK and Australia
EDP Historic Appointments	Independent General and Supervisory Board Member since April 2021
Current External Appointments	Independent Director - Bank of Montreal (China) Limited, subsidiary bank of BMO Financial Group (since December 2016) | Independent Director - Yum China Holdings, Inc., listed in New York and Hong Kong Stock Exchanges (since October 2016) | Founder and Chairman - MountVue Capital Management Co. Ltd (since 2017) | Senior Advisor - Fangda Partners, a leading PRC law firm (since June 2017) | Advisory Board Member - Ares SSG Capital Management (since April 2019)

Full name	**Luís Maria Viana Palha da Silva**
Status	Independent
Position	General and Supervisory Board Member
Committees	-
Skills and Experience	Degree in Economics - Higher Institute of Economics (1978) | Degree in Management – Portuguese Catholic University (1981) | CFO – Covina – Companhia Vidreira Nacional, S.A.R.L (1987-1991) | Member of the Board of Directors - IPE – Investimentos e Participações Empresariais, SGPS, S.A. (1991) | Secretary of State for Trade (1991-1995) | CFO – CIMPOR – Cimentos de Portugal, SGPS, S.A. (1997-2001) | CFO and CEO – Jerónimo Martins (2001-2011), Advanced Management Program – University of Pennsylvania (2005) | Vice-Chairman of the Board of Directors - Galp Energia, SGPS, S.A. (2012-2015) | Member of the Board of Directors - Oi, S.A. (2015-2018) | Chairman of the Board - AEM – Associação dos Emitentes Portuguese (2013-2014) | Non-executive Member of the Board of Directors - NYSE Euronext (2011-2016) | Member of the Audit Committee - NYSE Euronext (2013-2014) | Chairman - APETRO – Associação Portuguesa de Empresas Petrolíferas (2012-2015)
EDP Historic Appointments	General and Supervisory Board Member since April 2019 (re-apointed in April 2021) | Chairman of the Board of the General Shareholders' Meeting of EDP since April 2019 (re-apointed in April 2021)
Current External Appointments	Pharol, SGPS, S.A. - Chairman of the Board of Directors and CEO (since 2015) | Bratel B.V. (since 2015) | Bratel S.à.r.l. - Director (since 2018) | Nutrinveste, SGPS, S.A. - Non-executive Board Member (since 2018) | Oi, S.A. - Member of the Board of Directors (since 2015) | Forum para a Competitividade - Chairman of the Audit Committee of (since 2015)

Financial Matters Committee / Audit Committee

The Financial Matters Committee/Audit Committee is made up of 3 independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting.

In accordance with the articles of association and internal regulations of the Financial Matters Committee/Audit Committee and under the applicable law, this Committee is assigned the following general powers, by delegation of the General and Supervisory Board:

- financial matters and accounting practices;
- internal audit practices and procedures;
- the internal mechanisms and procedures of the Internal Control System for Financial Reporting;
- matters relating to the risk management and control system;
- the activities and mechanisms of the compliance management system;
- the activity and independence of the Statutory Auditor / Order of the Official Chartered Accountants of EDP; and
- the systems for assessing and resolving conflict of interests, particularly with regard to EDP's relations with shareholders.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the EC Recommendation of 15 February 2005 (2005/162/EC), supplemented by the EC Recommendation of 30 April 2009 (2009/385/EC) as well as the recommendations provided for by the Corporate Governance Code of the Portuguese Institute for Corporate Governance.

In view of its duties, the Financial Matters Committee/Audit Committee held sixteen meetings in 2020, as envisaged in its Activity Plan. The main matters addressed in those meetings were: supervision of the financial reporting and business of the EDP Group and EDP Finance BV, monitoring the activity of the internal audit, monitoring the internal control system on financial reporting, monitoring of the compliance management activity, monitoring of the

risk management activity, monitoring the litigation processes, monitoring the activity of the pensions fund of the EDP Group, monitoring the contractual relationship with the statutory auditor of the EDP Group and EDP Finance BV, their activities and assessing the objective conditions of their independence and monitoring reports of irregularities (whistleblowing), and the relationship with the audit committees of the subsidiaries.

Remuneration Committee

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, all of whom are independent from the managing body. This committee always has at least one representative present at the AGSM.

In accordance with the Internal Regulations of the Remuneration Committee, this Committee is assigned the following general powers:

- to prepare and propose the policy and corporate objectives regarding the Chairman and Members of the Executive Board of Directors remuneration determination;
- set the Chairman of the Executive Board of Directors and Directors' remuneration;
- monitor and assess the performance of the Chairman of the Board of Directors and directors for purposes of determining variable remuneration; and
- monitor the dissemination of external information on remuneration and the Executive Board of Directors remuneration policy.

According to the articles of association, the Remuneration Committee of the General and Supervisory Board must submit a proposal for the remuneration policy of the members of the Executive Board of Directors to be approved at the general shareholders' meeting, at least every four years and whenever there is a relevant change in the remuneration policy in force.

The Remuneration Committee held six meetings during 2020, considering its duties. The following main topics were discussed: (i) definition of the remuneration policy of the Executive Board Members to be submitted to the general shareholders' meeting and (ii) definition of the variable annual remuneration regarding 2019 financial year, as well as the multi-annual variable remuneration of the Executive Board Members. Although calculated annually, the multi-annual variable remuneration only becomes effective if, by the end of the mandate, 90 per cent. of the objectives have been achieved. The calculation of all variable remuneration was validated and certified by an external entity.

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- corporate governance;
- sustainability in all its dimensions;
- internal codes of ethics and conduct;
- systems for evaluating and resolving conflicts of interest in relations between EDP and its shareholders, through the analysis of the proposals for remedies regarding situations reported to this Committee by the Financial Matters Committee / Audit Committee;
- internal proceedings and relationship between EDP and Subsidiary or Group companies and their employees, clients, providers and remaining stakeholders;
- succession plans; and
- the evaluation process of the General Supervisory Board and the different specialized committees.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which conclusions are included in the annual report of the General and Supervisory Board and presented to the shareholders at the AGSM.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring of the corporate governance practices adopted by EDP and the management of human resources and succession plans.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

This committee held five meetings during 2020, in compliance with its specific duties. The following topics were discussed: analysis of potential relevant situations in terms of conflicts of interest, assessment of opinions issued by the Ethics Committee, analysis of the stakeholders management in general and relationship policy with clients in particular, assessment of the human resources and succession plans, analysis of the gender equality plan, analysis of the diversity and inclusion strategy, study of sustainability objectives for the Group, and analysis of the strategic plan for EDP Group's Foundations.

USA Business Affairs Monitoring Committee

The USA Business Affairs Monitoring Committee is elected by the General and Supervisory Board and composed by a majority of independent members, never less than five, with the qualifications and experience to adequately perform their duties.

The USA Business Affairs Monitoring Committee was incorporated on 16 March 2020 and is responsible for monitoring and assessing the activity undertaken by companies wholly or majority held by and/or subsidiaries of EDP Group in the United States, namely regarding:

- the strategic/business plans, assessing the different developing scenarios in which they rest and their implementation, including the resources necessary to its execution (human and financial);
- the annual budget;
- the investment, divestment, merger, acquisition and restructuring projects of significant value businesses;
- financing transactions;
- alliances /strategic partnerships entered into and the specific actions deriving therefrom, and evolution of counterpart risks;
- the issuance of prior opinion including in cases of urgency following the requests presented by the Executive Board of Directors;
- the compliance of the assumed commitments regarding public safety; and
- performance, risk assessment, value at risk and the respective management.

The committee is also responsible for defining compliance procedures on the obligations assumed by EDP regarding the development of EDPR's business with respect to the General and Supervisory Board activity.

In 2020, the USA Business Affairs Monitoring Committee held six meetings. The following topics were discussed: analysis of the EDPR strategy and performance in the United States, monitoring the state of play of investment and divestment projects in the United States, monitoring of the strategic partnership between EDPR and Engie for the offshore wind segment in the United States and monitoring of the EDP budget in the United States for 2021.

Executive Officers

EDP has 21 executive officers in charge of various business and administrative departments which report directly to the Executive Board of Directors. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

Name	Year of Birth	Year of Appointment	Position
Support to Governance Area			
Rita Ferreira de Almeida	1977	2021	Company Secretary and Head of the General Secretariat and Legal Department
Teresa Lobato	1988	2018	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit Department
Rita Sousa	1974	2019	Head of Compliance Department
Maria Manuela Silva	1955	2018	Ethics Ombudsman
Strategic Area			
Jorge Casillas	1974	2021	Head of Energy Planning Department
Rui Eustáquio	1980	2021	Head of Risk Management Department
Pedro Vasconcelos	1982	2017	Head of Business Analysis Department

Name	Year of Birth	Year of Appointment	Position
Sandra Pinto Ferreira	1973	2021	Head of Regulation and Markets Department
Ricardo Ferreira	1971	2018	Head of Studies and Competition Department
António Castro	1959	2016	Head of Sustainability Department
Financial Area			
Paula Guerra	1973	2008	Head of Financial Management Department
Rui Antunes	1978	2021	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, IFRS Reporting Global Coordination Department
Miguel Viana	1972	2006	Head of Investor Relations Department
Resources Area			
Paula Carneiro	1967	2021	Head of People and Organisational Development Global Unit
Temporarily led by Ana Paula Marques	1973	2021	Head of Digital Global Unit Department
Marketing and Communication Area			
Rui Cabrita	1965	2015	Head of Communication Department
Catarina Barradas	1974	2021	Head of Trademark Department
Ana Sofia Vinhas	1972	2019	Head of Institutional Relations and Stakeholders Department
Business Units			
Pedro Neves Ferreira	1975	2019	Head of Energy Management Business Unit

The business address of each member of the Executive Board of Directors and each executive officer of EDP is Avenida 24 de Julho, 12, 1249 - 300 Lisbon, Portugal. The business address of each member of the General and Supervisory Board is Avenida 24 de Julho, 12, 1249 - 300 Lisbon, Portugal.

Conflicts of Interest

According to the information provided to EDP, the members of the Executive Board of Directors, the General and Supervisory Board and the executive officers of EDP do not have any conflicts, or any potential conflicts, between their duties to EDP and their private interests or other duties.

FINANCIAL STATEMENTS OF THE EDP GROUP

The following financial information as of and for the six months ended 30 June 2021 and 30 June 2020 which appears below has been derived from EDP's unaudited consolidated financial statements for the six months ended 30 June 2021 prepared in accordance with IAS 34 "Interim Financial Reporting" (**IAS 34**) as adopted by the EU and which is included in this Prospectus.

The selected consolidated financial information as of and for the financial years ended 31 December 2020 and 2019 which appears below has been derived from EDP's audited consolidated financial statements for the financial years ended 31 December 2020 and 2019 prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the EU and included elsewhere in this Prospectus.

Consolidated Income Statements

	Six-month period ended 30 June		Year ended 31 December	
Thousand Euros	**2021**	**2020**	**2020**	**2019***
	Unaudited			
Revenues from energy sales and services and other	6,083,249	6,182,887	12,448,205	14,333,009
Cost of energy sales and other	(3,667,739)	(3,525,817)	(7,356,487)	(9,115,859)
	2,415,510	2,657,070	5,091,718	5,217,150
Other income	338,815	343,662	1,077,689	691,886
Supplies and services	(408,126)	(401,573)	(856,519)	(897,543)
Personnel costs and employee benefits	(332,828)	(322,069)	(667,313)	(620,196)
Other expenses	(341,978)	(371,023)	(635,180)	(652,473)
Impairment losses on trade receivables and debtors	(12,521)	(40,148)	(63,690)	(33,207)
	(756,638)	(791,151)	(1,145,013)	(1,511,533)
Joint ventures and associates	33,292	5,043	3,257	25,011
	1,692,164	1,870,962	3,949,962	3,730,628
Provisions	(3,664)	(51,156)	(112,093)	(101,530)
Amortisation and impairment	(722,311)	(767,806)	(1,631,831)	(1,765,619)
	966,189	1,052,000	2,206,038	1,863,479
Financial income	172,925	109,353	226,702	387,817
Financial expenses	(427,201)	(477,118)	(897,326)	(1,057,591)
Profit before income tax and CESE	711,913	684,235	1,535,414	1,193,705
Income tax expense	(162,683)	(134,181)	(309,112)	(225,901)
Extraordinary contribution to the energy sector (CESE)	(51,599)	(62,474)	(65,109)	(68,477)
	(214,282)	(196,655)	(374,221)	(294,378)
Net profit for the period	**497,631**	**487,580**	**1,161,193**	**899,327**
Attributable to:				
Equity holders of EDP	**343,316**	**314,613**	**800,692**	**511,751**
Non-controlling Interests	**154,315**	**172,967**	**360,501**	**387,576**
Net profit for the period	**497,631**	**487,580**	1,161,193	**899,327**
Earnings per share (Basic and Diluted) - Euros	0.09	0.09	0.21	0.14

* Includes restatement due to changes in results in Joint Ventures and Associates as described in note 2a) of EDP's annual report for the year ended 31 December 2020

Consolidated Statements of Financial Position

Thousand Euros	As at 30 June 2021	As at 31 December 2020	2019
	Unaudited		
Assets			
Property, plant and equipment	20,423,189	20,163,221	19,676,222
Right-of-use assets	1,044,690	1,030,193	828,503
Intangible assets	4,799,352	4,998,235	4,223,823
Goodwill	2,378,074	2,306,303	2,119,862
Investments in joint ventures and associates	1,378,240	940,362	1,098,512
Equity instruments at fair value	190,306	184,748	170,806
Investment property	22,779	21,378	29,944
Deferred tax assets	925,585	1,139,543	1,084,046
Debtors and other assets from commercial activities	3,223,906	2,747,012	3,424,220
Other debtors and other assets	1,391,001	1,020,788	932,578
Non-Current tax assets	224,005	251,770	389,037
Collateral deposits associated to financial debt	24,831	22,848	21,690
Total Non-Current Assets	36,025,958	34,826,401	33,999,243
Inventories	372,605	323,945	368,334
Debtors and other assets from commercial activities	3,870,397	3,545,611	2,858,160
Other debtors and other assets	1,276,559	850,753	881,779
Current tax assets	548,831	414,302	415,735
Collateral deposits associated to financial debt	14,593	9,221	39,786
Cash and cash equivalents	1,531,195	2,954,302	1,542,722
Non-Current Assets held for sale	489,157	22,248	2,255,887
Total Current Assets	8,103,337	8,120,382	8,362,403
Total Assets	**44,129,295**	**42,946,783**	**42,361,646**
Equity			
Share capital	3,965,681	3,965,681	3,656,538
Treasury stock	(52,181)	(54,025)	(61,220)
Share premium	1,196,522	1,196,522	503,923
Reserves and retained earnings	4,358,473	3,673,785	4,247,195
Consolidated net profit attributable to equity holders of EDP	343,316	800,692	511,751
Total Equity attributable to equity holders of EDP	9,811,811	9,582,655	8,858,187
Non-controlling Interests	4,534,777	3,495,754	3,773,826
Total Equity	**14,346,588**	**13,078,409**	**12,632,013**
Liabilities			
Financial debt	13,743,345	14,023,940	13,124,615
Employee benefits	1,042,993	1,138,237	1,128,155
Provisions	1,019,721	992,865	926,426
Deferred tax liabilities	825,453	814,474	503,746
Institutional partnerships in North America[(a)]	1,589,303	1,933,542	2,289,784
Trade payables and other liabilities from commercial activities	1,379,338	1,435,006	1,644,307
Other liabilities and other payables	2,174,805	1,739,448	1,177,119
Non-current tax liabilities	145,646	122,743	138,212
Total Non-Current Liabilities	21,920,604	22,200,255	20,932,364
Financial debt	2,387,639	2,262,823	3,446,854
Employee benefits	194,844	204,067	183,514
Provisions	137,581	260,154	126,091
		3,952,213	3,859,623
Trade payables and other liabilities from commercial activities	3,094,972		
Other liabilities and other payables	1,347,098	590,117	623,771
Current tax liabilities	512,453	398,634	478,594
Non-Current Liabilities held for sale	187,516	111	78,822
Total Current Liabilities	7,862,103	7,668,119	8,797,269
Total Liabilities	29,782,707	29,868,374	29,729,633
Total Equity and Liabilities	**44,129,295**	**42,946,783**	**42,361,646**

[(a)] In 2019, corresponds to "Institutional partnerships in USA"

Consolidated Statements of Cash Flows

Thousand Euros	Six month period ended 30 June		Year ended 31 December	
	2021	2020	2020	2019*
	Unaudited			
Operating activities				
Profit before income tax and CESE	711,913	684,235	1,535,414	1,193,705
Adjustments for:				
Amortisation and impairment	722,311	767,806	1,631,831	1,765,619
Provisions	3,664	51,156	112,093	101,530
Joint ventures and associates	(33,292)	(5,043)	(3,257)	(25,011)
Financial (income) / expenses	254,276	367,765	670,624	669,774
(Gains)/Losses on disposal and scope effects except Asset Rotations	-	-	(234,818)	32,440
Changes in working capital				
Trade and other receivables	(42,611)	231,002	5,928	131,007
Trade and other payables	(30,758)	(206,884)	16,411	(116,077)
Personnel	(133,031)	(105,339)	(101,616)	(339,684)
Regulatory assets	(339,836)	51,235	(47,293)	(251,160)
Other changes in assets/liabilities related with operating activities	(483,666)	(282,900)	(523,418)	(342,802)
Income tax and CESE	(2,478)	(35,458)	(172,788)	(284,929)
Net cash flows from operations	**626,491**	**1,517,575**	**2,889,111**	**2,534,412**
Net (gains)/losses with Asset Rotations	(118,347)	(145,212)	(433,900)	(313,452)
Net cash flows from operating activities	**508,144**	**1,372,363**	**2,455,211**	**2,220,960**
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control[(i)]	238,856	282,226	3,835,863	502,982
Other financial assets and investments [(ii)]	68,159	25,537	130,227	563,867
Changes in cash resulting from consolidation perimeter variations	4,622	-	85,579	-
Property, plant and equipment and intangible assets	18,873	5,526	12,484	30,885
Other receipts relating to tangible fixed assets	4,984	1,613	6,683	4,894
Interest and similar income	8,462	17,477	26,940	61,308
Dividends	31,236	17,681	48,478	43,127
Loans to related parties	517,169	164,286	326,071	605,313
	892,361	**514,346**	**4,472,325**	**1,812,376**
Cash payments relating to:				
Acquisition of assets/subsidiaries[(iii)]	(67,385)	(31,813)	(1,097,339)	(3,133)
Other financial assets and investments[(iv)]	(365,748)	(179,382)	(431,182)	(739,100)
Changes in cash resulting from consolidation perimeter variations[(i)]	(10,392)	1,806	(38,825)	(112,284)
Property, plant equipment and intangible assets	(2,041,522)	(1,065,045)	(2,409,812)	(2,348,542)
Loans to related parties	(346,716)	(266,739)	(780,652)	(254,339)
	(2,831,763)	**(1,541,173)**	**(4,757,810)**	**(3,457,398)**
Net cash flows from investing activities	**(1,939,402)**	**(1,026,827)**	(285,485)	**(1,645,022)**
Financing activities				
Receipts relating to financial debt (include Collateral Deposits)	1,598,039	5,616,668	5,927,683	4,099,892
(Payments) relating to financial debt (include Collateral Deposits)	(1,839,302)	(4,884,561)	(6,463,566)	(3,443,363)
Interest and similar costs of financial debt including hedge derivatives	(260,326)	(348,382)	(570,155)	(557,270)
Receipts/(payments) relating to loans from non-controlling interests	(35,939)	(14,661)	216,858	(29,922)
Interest and similar costs relating to loans from non-controlling interests	(9,231)	(5,270)	(9,831)	(21,177)
Governmental grants received	-	-	37	-
Share capital increases/(decreases) (includes the subscribed by non-controlling interests)[(v)]	1,452,074	(45,992)	920,598	(61,722)
Receipts/(payments) relating to derivative financial instruments	17,835	6,286	12,776	(4,946)
Dividends paid to equity holders of EDP[(vi)]	(749,763)	(690,739)	(690,739)	(690,675)
Dividends paid to non-controlling interests	(113,303)	(44,797)	(112,001)	(134,726)
Treasury stock sold/(purchased)	1,844	-	7,195	-
Receipts/(payments) related with transactions with non-controlling interest without change of control	-	(1,364)	(1,007)	(20,386)

Thousand Euros	Six month period ended 30 June		Year ended 31 December	
	2021	2020	2020	2019*
	Unaudited			
Lease (payments)[vii]	(48,462)	(37,367)	(80,364)	(75,754)
Receipts/(payments) from institutional partnerships in North America[viii]	(36,911)	114,944	248,728	105,627
Net cash flows from financing activities	**(23,445)**	**(335,235)**	**(593,788)**	**(834,422)**
Changes in cash and cash equivalents	(1,454,703)	10,301	1,575,938	(258,484)
Effect of exchange rate fluctuations on cash held	39,858	(175,424)	(170,198)	(1,999)
Cash and cash equivalents reclassified as held for sale	(8,262)	(1,778)	5,840	-
Cash and cash equivalents at the beginning of the period	2,954,302	1,542,722	1,542,722	1,803,205
Cash and cash equivalents at the end of the period[ix]	**1,531,195**	**1,375,821**	**2,954,302**	**1,542,722**

(i) Relates essentially to the receivement of the sales of Babilônia Holding, S.A. and its subsidiaries (*see note 27 to the 2020 EDP Financial Statements*), the transfers of offshore companies to OW Offshore Relates, the sale of Camirengia Hidroeléctricos, S.A. (Portugal), the receivement of Baser Comercializadora de Referencia, S.A and EDP Comercializadora, S.AU (Spain), as well the sale of companies located in Spain and North America (*see note 6 to the 2020 EDP Financial Statements*);

(ii) Relates essentially to the receivement of the sale of Zephyr fund (*see note 22 to the 2020 EDP Financial Statements*) and the receivement of notes (*see note 27 to the 2020 EDP Financial Statements*);

(iii) Relates, mainly, to the impact with the acquisition of Viesgo Group companies (*see note 6 to the 2020 EDP Financial Statements*);

(iv) Relates essentially to payments made for the capital increases in North America companies, the Investment Funds in Brazil and acquisition of participation in the Mercer and Dunas funds (*see note 22 to the 2020 EDP Financial Statements*);

(v) Relates essentially to the capital increase made by EDP (*see note 30 to the 2020 EDP Financial Statements*);

(vi) *See note 32 to the 2020 EDP Financial Statements*;

(vii) Includes capital and interest;

(viii) On a consolidated basis, refers to the receipts and payments net of transaction costs (transactions included in note 37 to the 2020 EDP Financial Statements); and

(ix) See details of Cash and cash equivalents in note 29 to the 2020 EDP Financial Statements and the Consolidated and Company Reconciliation of Changes in the responsibilities of Financing activities in note 52 to the 2020 EDP Financial Statements.

* Includes the reclassification arising from the change in accounting policy as described in note 2a) to the 2020 EDP Financial Statements.

TAXATION

Portugal

The following is a general summary of the Issuer's understanding of current law and practice in Portugal as in effect as of the date of this Prospectus in relation to certain current relevant aspects to Portuguese taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect.

The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any beneficial owner of the Notes. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are the absolute beneficial owners of the Notes. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any consideration of any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "*Terms and Conditions of the Notes*" or any related documentation.

The summary below in relation to the Notes assumes that the Notes would be treated by the Portuguese tax authorities as corporate bonds ("*obrigações*") as defined under Portuguese law. If the Portuguese tax authorities do not treat the Notes as *obrigações*, no assurance can be given that the same tax regime would apply.

1. General tax regime applicable on debt securities

Interest and other types of investment income obtained on the Notes by a Portuguese resident individual are subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to aggregate it to his taxable income, subject to tax at progressive rates of up to 48 per cent. In this circumstance, an additional income tax rate will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. In this case, the tax withheld is deemed a payment on account of the final tax due.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities are subject to a final withholding tax of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are taxed at a rate of 28 per cent., levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year, which is the final tax on that income, unless the individual elects to aggregate it to his taxable income, subject to tax at progressive rates of up to 48 per cent. In this circumstance, an additional income tax rate will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. In this case, the tax withheld is deemed a payment on account of the final tax due. Accrued interest qualifies as interest for tax purposes.

Interest and other investment income derived from the Notes and capital gains obtained with the transfer of Notes by legal persons resident for tax purposes in mainland Portugal and by non-resident legal persons with a permanent establishment therein to which the income or gains are attributable to are included in their taxable income and are subject to corporate income tax at a 21 per cent. tax rate or at a 17 per cent. tax rate on the first €25,000 in the case of small or medium-sized enterprises, to which a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income may be added. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and at 9 per cent. on taxable profits in excess of €35,000,000.

Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to Portuguese corporate income tax (including branches of foreign financial institutions located in Portugal), and *inter alia* pension funds and venture capital funds constituted under the laws of Portugal are not subject to withholding tax.

Interest and other types of investment income obtained by non-resident legal persons without a Portuguese permanent establishment to which the income is attributable to are subject to withholding tax at a rate of 25 per cent., which is the final tax on that income. Interest and other types of investment income obtained by non-resident individuals without a Portuguese permanent establishment to which the income is attributable to are subject to

withholding tax at a rate of 28 per cent., which is the final tax on that income. The rate is 35 per cent. in the case of individuals or legal persons domiciled in a country, territory or region included in the ''tax havens'' list approved by Ministerial Order ("*Portaria*") no. 150/2004 of 13 February ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*") as amended from time to time. Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities are subject to a final withholding tax of 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal which are in full force and effect as of the date of this Prospectus, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order ("*Despacho*") no. 8363/2020 (2nd series), of 31 August 2020, published in the Portuguese official gazette, second series, no. 169, of 31 August 2020 of the Portuguese Secretary of State for tax affairs, available for viewing and downloading at www.portaldasfinancas.gov.pt.

Income paid to an associated company of the Issuer who is resident in the EU is exempt from withholding tax.

For these purposes, an associated company of the Issuer is:

(i) a company which is subject to one of the taxes on profits listed in Article 3 (a) (iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is deemed to be a resident in an EU Member State and is not, within the meaning of a double taxation convention on income concluded with a third state, considered to be a resident for tax purposes outside the Community; and

(ii) which holds a minimum direct holding of 25 per cent. of the capital of the Issuer, or is directly held by the Issuer at least by 25 per cent. or which is directly held at least by 25 per cent. by a company which holds at least 25 per cent. of the capital of the Issuer; and

(iii) provided that the holding has been maintained for an uninterrupted period of at least two years; if the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Issuer to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own account and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

The exemption from withholding tax may take place at source or through the refund of tax withheld.

Capital gains obtained on the transfer of Notes by non-resident individuals without a permanent establishment in Portugal to which gains are attributable to are exempt from Portuguese capital gains taxation unless the beneficial owner resides in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order ("*Portaria*") no. 150/2004 of 13 February ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*") as amended from time to time. If the exemption does not apply, the gains will be subject to personal income tax at a rate of 28 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis. Accrued interest does not qualify as capital gains for tax purposes.

Gains obtained on the disposal of Notes by a legal person non-resident in Portugal for tax purposes and without a permanent establishment therein to which gains are attributable to are exempt from Portuguese capital gains taxation, unless the share capital of the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order ("*Portaria*") no. 150/2004 of 13 February ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*") as amended from time to time. If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

Stamp Duty at a rate of 10 per cent. applies to the acquisition through gift or inheritance of Notes by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse, de facto spouse, descendants and parents/grandparents. The acquisition of Notes through gift or inheritance by a legal person resident in mainland Portugal or a non-resident acting through a Portuguese permanent establishment is subject to corporate income tax at a 21 per cent. tax rate or at a 17 per cent. tax rate on the first €25,000 in the case of small or medium-sized enterprises, to which a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income may be added. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and 9 per cent. on taxable profits in excess of €35,000,000.

No Stamp Duty applies on the acquisition through gift and inheritance of Notes by an individual who is not domiciled in Portugal. The acquisition of Notes through gift or inheritance by a non-resident legal person is subject to corporate income tax at a rate of 25 per cent. However, under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

There is neither wealth nor estate tax in Portugal.

2. Notes integrated in a centralised control system foreseen under Decree-Law no. 193/2005, of 7 November 2005

Pursuant to the Special Tax Regime for Debt Securities, approved by Decree-Law no. 193/2005, of 7 November 2005, as amended from time to time (**Decree-Law no. 193/2005**), investment income paid on, as well as capital gains derived from a sale or other disposition of the Notes, to non-resident territory beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a Member State of the EU other than Portugal or in an EEA Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese government authorises the application of the Decree-Law no. 193/2005, and the beneficiaries are:

(i) central banks or governmental agencies; or

(ii) international bodies recognised by the Portuguese state; or

(iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or

(iv) other entities without headquarters, effective management or a permanent establishment in Portuguese territory to which the relevant income is attributable to and which are not domiciled in a blacklisted jurisdiction as set out in the Ministerial Order ("*Portaria*") no. 150/2004 of 13 February ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*"), as amended from time to time.

For purposes of application at source of this tax exemption regime, Decree-Law no. 193/2005 requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the Holder), the beneficial owner is required to hold the Notes through an account with one of the following entities:

(i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;

(ii) an indirect registered entity, which, although not assuming the role of the "direct registered entities", is a client of the latter; or

(iii) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

The special regime approved by Decree-Law no. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the beneficial owners of the Notes to which it applies.

Under these rules, the direct registered entity is required to obtain and retain proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct registered entities prior to the relevant date for payment of any interest and, in the case of domestically cleared Notes, prior to the transfer of Notes, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand as of the date of this Prospectus.

Domestically Cleared Notes

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below:

(i) If a Holder of Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the Holder, duly signed and authenticated or proof of non-residence pursuant to the terms of paragraph (iv) below;

(ii) If the Holder is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be

made by means of the following: (A) its tax identification official document; or (B) a certificate issued by the entity responsible for its supervision or registration, or by the tax authorities, confirming the legal existence of the Holder and its domicile; or (C) proof of non-residence, pursuant to the terms of paragraph (iv) below;

(iii) If the Holder is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence, domicile and law of incorporation; or (B) proof of non-residence pursuant to the terms of paragraph (iv) below;

(iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities or, (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable. There are rules on the authenticity and validity of the documents, in particular that the Holder must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued.

In cases referred to in paragraphs (i), (ii) and (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption. The Holder must inform the register entity immediately of any change that may preclude the tax exemption from applying.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law no. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law no. 193/2005. The refund claim is to be submitted to the direct register entity of the Notes within 6 months from the date the withholding took place.

The refund of withholding tax after the above 6-month period is to be claimed to the Portuguese tax authorities through an official form available at http://www.portaldasfinancas.gov.pt (approved by Order ("*Despacho*") no. 2937/2014, issued by the Portuguese Secretary of State for Tax Matters) within 2 years, starting from the term of the year in which the withholding took place. The refund is to be made within 3 months, after which interest is due.

Administrative cooperation in the field of taxation

The Council Directive 2014/107/EU of 9 December 2014 regarding the mandatory automatic exchange of information in the field of taxation was transposed into the Portuguese Law through the Decree-Law no. 64/2016, of 11 October. Under such law, the Issuer will be required to collect information regarding certain accountholders and report such information to Portuguese Tax Authorities – which, in turn, will report such information to the relevant Tax Authorities of EU Member States or third States which have signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information for the Common Reporting Standard.

Under Council Directive 2014/107/EU, of 9 December 2014, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Directive. The information refers to the account balance at the end of the calendar year, income paid or credited in the account and the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others. In view of the regime enacted by Decree-Law no. 64/2016, of 11 October, which has been amended through Law no. 98/2017, of 24 August, and by Law no. 17/2019, of 14 February, all information regarding the registration of the financial institution, the procedures to comply with the reporting obligations arising thereof and the applicable forms were approved by Ministerial Order ("*Portaria*") no. 302-B/2016, of 2 December, as amended by Ministerial Order ("*Portaria*") no. 282/2018, of 19 October 2018, Ministerial Order ("*Portaria*") no. 302-C/2016, of 2 December, Ministerial Order ("*Portaria*") no. 302-D/2016, of 2 December, as amended by Ministerial Order ("*Portaria*") no. 255/2017, of 14 August,

and by Ministerial Order ("*Portaria*") no. 58/2018, of 27 February, and Ministerial Order ("*Portaria*") no. 302-E/2016, of 2 December.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the EC published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Portugal) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

The United States has reached a Model 1 IGA with Portugal, signed on 6 August 2015 and ratified by Portugal on 5 August 2016 and which has entered into force on 10 August 2016. Portugal has implemented, through Law no. 82-B/2014, of 31 December 2014, and Decree-Law no. 64/2016, of 11 October 2016, as amended by Law no. 98/2017, of 24 August, and Law no. 17/2019, of 14 February, the legislation based on the reciprocal exchange of information with the United States on financial accounts subject to disclosure in order to comply with Sections 1471 through 1474 of FATCA.

Under the referred legislation the Issuer is required to obtain information regarding certain accountholders and report such information to the Portuguese Tax Authorities, which, in turn, will report such information to the United States Internal Revenue Service.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander Totta, S.A., Caixa – Banco de Investimento, S.A., Crédit Agricole Corporate and Investment Bank, HSBC Continental Europe, ICBC Standard Bank Plc, ING Bank N.V., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho Securities Europe GmbH and MUFG Securities (Europe) N.V. (the **Joint Lead Managers**) have, pursuant to a Subscription Agreement dated 10 September 2021 (the **Subscription Agreement**), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for (i) the NC5.5 Notes at 99.481 per cent. of the principal amount of the NC5.5 Notes less a combined management, underwriting and selling commission and (ii) the NC8 Notes at 99.449 per cent. of the principal amount of the NC8 Notes less a combined management, underwriting and selling commission. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes.

The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (**Regulation S**).

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Portugal

Each Joint Lead Manager has represented and agreed that this Prospectus has not been and will not be registered or filed with or approved by the Portuguese Securities Exchange Commission ("*Comissão do Mercado de Valores Mobiliários*" or the **CMVM**) nor has a prospectus recognition procedure been commenced with the Portuguese Securities Exchange Commission. The Notes may not be and will not be offered in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code ("*Código dos Valores Mobiliários*") enacted by Decree-Law no. 486/99 of 13 November (as amended and restated from time to time) (or under any legislation which may replace or complement it in this respect, from time to time) unless the requirements and provisions applicable to the public offering in Portugal are met and the above mentioned registration, filing, approval or recognition procedure is made. In addition, each Joint Lead Manager has represented and agreed that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold, re-sold, re-offered or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer ("*oferta pública*") of securities pursuant to the Portuguese Securities Code (or under any legislation which may replace or complement it in this respect, from time to time), notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese

territory, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code or other securities legislation or regulations, qualify as a private placement of Notes only ("*oferta particular*"); (iii) it has not distributed, made available or caused to be distributed, and will not distribute, make available or cause to be distributed, this Prospectus or any other offering material relating to the Notes to the public in Portugal; and (iv) it will comply with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation, any delegated acts published in connection with the Prospectus Regulation which are in force at any determined time and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Belgium

Each Joint Lead Manager has represented and agreed that an offering of the Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Spain

The Notes nor this Prospectus have been registered with the Spanish Securities Markets Commission ("*Comisión Nacional del Mercado de Valores*"). Accordingly, each Joint Lead Manager has represented and agreed that the Notes may not be offered, sold or distributed, nor may any subsequent resale of the Notes be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. The Notes may only be offered or sold in Spain by institutions authorised under the consolidated text of the Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October ("*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*") (the **Spanish Securities Market Law**), Royal Decree 217/2008 of 15 February on the legal regime applicable to investment services companies ("*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversion*") and related legislation to provide investment services in Spain and in accordance with the provisions of the Spanish Securities Market Law and further developing legislation.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34 ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **Financial Instruments and Exchange Act**). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and applicable laws, ministerial guidelines and regulations of Japan. As used in this paragraph, **resident of Japan** means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the **SFA**)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred

within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

No action has been or will be taken by the Issuer or the Joint Lead Managers that would permit a public offering of the Notes, or the possession or distribution of this Prospectus, or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute this Prospectus or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except in circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and the Issuer shall not have responsibility for the action of the Joint Lead Managers.

Other persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

The Joint Lead Managers and their respective affiliates currently provide, and may continue to provide, banking services, including senior lending facilities, to the Issuer on customary market terms, and for which they have been or will be paid customary fees.

GENERAL INFORMATION

(1) The Issuer has obtained all necessary consents, approvals and authorisations in Portugal in connection with the issue and performance of the Notes. The issue of the Notes was authorised pursuant to a resolution of the Executive Board of Directors of the Issuer on 20 July 2021.

(2) It is expected that listing of the Notes of each Series on the Official List of Euronext Dublin and to trading on its regulated market will be granted on or about 14 September 2021. Before official listing, dealings will be permitted by the regulated market of Euronext Dublin in accordance with its rules. Transactions will normally be effected for delivery on the third working day in Dublin after the day of the transaction.

(3) An estimate of total expenses related to admission to trading is €5,390 plus VAT.

(4) Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Regulation.

(5) The Notes have been accepted for clearance through the clearing system operated by Interbolsa, the CVM. The CVM currently has links in place with Euroclear and Clearstream, Luxembourg through securities accounts held by Euroclear and Clearstream, Luxembourg with affiliate members of Interbolsa. In relation to the NC5.5 Notes, the ISIN is PTEDPXOM0021, the Common Code is 238440807 and the CVM Code is EDPXOM and in relation to the NC8 Notes, the ISIN is PTEDPYOM0020, the Common Code is 238440823 and the CVM Code is EDPYOM.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Interbolsa is Avenida da Boavista, 3433, 4100-138 Porto, Portugal.

(6) From (and including) the Issue Date to (but excluding) the NC5.5 First Reset Date, the yield on the NC5.5 Notes will be 1.60 per cent. per annum. The relevant yield is calculated at the Issue Date on the basis of the Issue Price of the NC5.5 Notes and on the basis that no Change of Control Event occurs during such period. It is not an indication of future yield.

From (and including) the Issue Date to (but excluding) the NC8 First Reset Date, the yield on the NC8 Notes will be 1.95 per cent. per annum. The relevant yield is calculated at the Issue Date on the basis of the Issue Price of the NC8 Notes and on the basis that no Change of Control Event occurs during such period. It is not an indication of future yield.

(7) There has been no significant change in the financial performance or position of the EDP Group since 30 June 2021, and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

(8) Save as described in "*EDP and the EDP Group – Litigation*", neither the Issuer nor any other member of the EDP Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have had a significant effect on the financial position and profitability of the Issuer or the EDP Group.

(9) The independent auditors of the Issuer are PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., independent certified public accountants, who have audited the consolidated financial statements of the EDP Group as of and for the years ended on 31 December 2020 and 31 December 2019 prepared in accordance with IFRS as adopted by the EU. With respect to the unaudited condensed consolidated interim financial information of the Issuer for the six-month period ended 30 June 2021, incorporated by reference in this Prospectus, PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report incorporated by reference in this Prospectus states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*").

(10) The auditors of the Issuer have no material interest in the Issuer.

(11) Copies of this Prospectus, the Interbolsa Instrument in respect of each Series and the Paying Agency Agreement in respect of each Series will be available for inspection from https://www.edp.com/en/investors/fixed-income/green-funding. Copies of the latest annual report and consolidated accounts of the Issuer, the latest interim consolidated accounts of the Issuer and the documents referred to in *"Documents Incorporated by Reference"* will be available for inspection from https://www.edp.com/en/results-reports#reports-and-accounts. Copies of the articles of association (with an English translation thereof) of the Issuer will be available for inspection from https://www.edp.com/en/principles-govern-us#by-laws---regulations. In addition, this

Prospectus will be available, in electronic format, on the website of Euronext Dublin (https://live.euronext.com/).

(12) Certain Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain Joint Lead Managers or their affiliates that have a lending relationship with the Issuer or its affiliates routinely hedge their credit exposure to the Issuer or its affiliates in a way consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or its affiliates' securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

(13) The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

(14) The Issuer's website is https://www.edp.com. Unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus. Any websites referred to in this Prospectus have not been scrutinised by the Central Bank.

(15) The Legal Entity Identifier code of the Issuer is 529900CLC3WDMGI9VH80.

(16) The ratings of each Series are set out on page 12 of this Prospectus. The applicable ratings of each of the relevant credit rating agencies have the following meanings:

(i) Moody's – Ba2

Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. The modifier 2 indicates a mid-range ranking.

(ii) Standard & Poor's – BB+

An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. The addition of a plus (+) sign is to show relative standing within this rating category.

(iii) Fitch – BB+

'BB' ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met. The addition of a plus (+) sign is to show relative standing within this rating category.

The information at paragraphs (i), (ii) and (iii) above has been extracted from the websites of Moody's (in the case of paragraph (i)), Standard & Poor's (in the case of paragraph (ii)) and Fitch (in the case of paragraph (iii)). The Issuer confirms that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by Moody's, Standard & Poor's and Fitch respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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