

*edp*

# CHANGING TOMORROW NOW

INTERNAL  
AUDIT REPORT  
2021









## **CHANGING TOMORROW NOW**

We are creating a new energy on the planet.

More inclusive. More shared. Greener.

Promoting renewable energy on a worldwide scale.

Using the power of wind, sun and water,

to be all green by 2030.

Accelerating decarbonization, to achieve carbon neutrality. Investing € 24 billion in the energy transition.

Duplicating the capacity in solar and wind power.

Betting on new technologies, such as green hydrogen.

Leading the way in sustainability indexes.

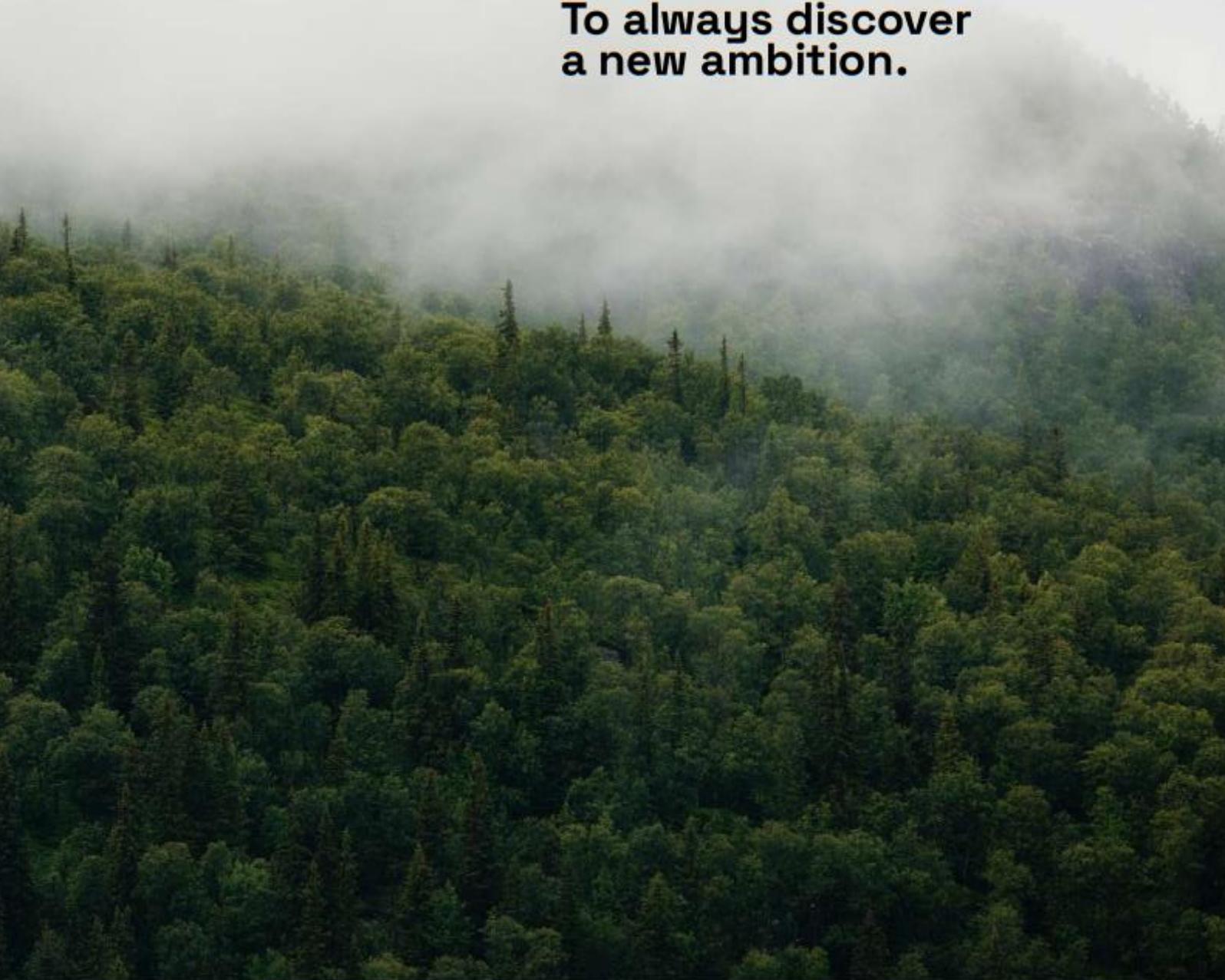
It's in our hands. The only one who changes the world,

is whoever can change himself, the one who finds

the will, the knowledge and the action.

Because this is our story:

**To always discover  
a new ambition.**





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A close-up photograph of a plant stem with a seed head, set against a blurred background of other plant stems. The lighting is soft and natural, highlighting the texture of the plant.

# SAFETY

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

## Internal Audit Corporate Director

**Azucena Viñuela Hernandez**

I am proud to present the EDP Group's Internal Audit Activities Report for the year 2021. The report includes the main activities carried out during the year by the Group's Internal Audit Departments, with the purpose of fulfilling the mission given by the Government Bodies as a function whose main objective is to assist the organization to improve risk management and control processes, a key function in terms of good governance.

In 2021 we managed to exceed the objectives we set ourselves and with the feeling of having successfully contributed to the strengthening of the Group's control culture and good corporate governance.

All the employees who are part of the Group's Internal Audit Departments have performed hard work in a complex context that has allowed to maintain the rigor, quality and dedication that characterize this team. I want to dedicate a special acknowledgment to all of them.

We are also aware of the demands and challenges of our role in an increasingly dynamic environment, which requires constant updating to adequately respond to the challenges of the profession and which are fully linked to the challenges and objectives of EDP, with a very ambitious Strategic Plan in an increasingly more demanding environment. Therefore, in addition to relying on the solid foundations built over the last few years, we have also defined a strategic plan for continuous improvement with a transversal and comprehensive view of the Group's Internal Audit activity, which is composed by a set of initiatives around 5 axis - governance model, auditing informed and aligned with the business, organization and human resources, technology and methodology and quality that must be constantly updated and developed.

With this spirit of overcoming, we face the future, keeping the focus on adding value in line with the Group's objectives.

On this journey, I would like to thank the managers and employees of all Business Units, the members of the Executive Board of Directors (CAE), the Financial Matters Committee/Audit Committee (CMF/CAUD) and the General and Supervisory Board (CGS) for their dedication, support and availability, which are so important for the achievement of the defined objectives.

## 2. — Mission and Vision of the Internal Audit

### Mission

Internal Audit is an objective and independent activity, of assurance and consulting, designed to add value and improve the operations of EDP Group, assisting the organization to accomplish its objectives, through a systematic and disciplined approach in assessing and improving the effectiveness of risk management, control, and governance processes.

The internal audit function has the mission of increasing and protecting the value of EDP, providing assurance, advisory and insight, covering several fields of action.

### Vision

<p><b>PREPARED</b></p> <p>Adequate resources with updated business, technology, audit and control skills.</p>	<p><b>INFORMED</b></p> <p>Aligned with the business, the organization's strategy, trends, risks evolution, and compliance to be able to add value.</p>
<p><b>TRANSVERSAL</b></p> <p>Group focus, vision alignment, methodologies, good practices and knowledge. Ensuring integral vision and activity coverage at a global level.</p>	<p><b>WITH THE CAPACITY OF ADAPTATION</b></p> <p>Able to quickly adapt to changes in stakeholder needs and with appropriate responses to them.</p>
<p><b>DELIVERY</b></p> <p>With ambitious coverage action, consistent with the size of the Group and its evolution, generating trust and transparency and adding value to the company. Aligned with the expectations and needs of different stakeholders.</p>	<p><b>TECHNOLOGICAL</b></p> <p>More modern and capable tools to automate processes – effectiveness and efficiency.</p>

### Principles



#### INTEGRITY AND ETHICS

Internal auditors' integrity builds trust and, therefore, provides a basis for relying on their judgment.



#### CONFIDENTIALITY

Internal auditors respect the value and ownership of the information they receive and do not disclose information without proper authorization, unless legally or professionally required to do so.



#### OBJECTIVITY

Internal auditors demonstrate the highest degree of professional objectivity when collecting, evaluating and communicate information about the activity or process under review. Internal auditors make a balanced assessment of all relevant circumstances, and their judgments are not influenced by private interests and the opinions of others.



#### COMPETENCE

Internal auditors apply the necessary knowledge, techniques and experience in the performance of internal audit services.



# INNOVATION

Progressive and  
meaningful change.

## 3. — Main events

### JANUARY

- Approval of the 2021 Group's Internal Audit Activities Plan by the Financial Matters Committee/Audit Committee (CMF/CAUD) and presentation of the Group's 2020 activities closure.

- EDP Group CMF/CAUD meeting.

### FEBRUARY

- Approval of the 2021 Group's Internal Audit Activities Plan by the Executive Administration Board (CAE) and presentation of the Group's 2020 activities closure.
- Launch of the 2021-2023 DAI Strategic Plan.
- Start of the project of indicators development for the continuous audit of purchases.

### JUNE

- Participation on the Internal Auditing Days, "Jornadas", in a virtual regime.
- EDP Group CMF/CAUD meeting.

### APRIL

- Start of the project of indicators development for the continuous audit of treasury.
- EDP Group CMF/CAUD meeting.
- Volunteering action "Doação de cestas básicas e doação de sangue" in EDP Brazil.
- Conclusion of the GDPR application project in continuous auditing applications.

- Assumption of the Internal Audit function of the Viesgo Sub-group.

## OCTOBER

- Entry into productive the new Internal Audit tool – TeamMate+.
- Approval of the new version of the Basic Standard for the Group's Internal Audit, by the CMF/CAUD and CAE.

## NOVEMBER

- Elaboration of proposals for the audit plan in Portugal, in EDP Spain, in EDP Renewables and in EDP Brazil for the year 2022.
- Start of the proof of concept for using Data Lake for the implementation of continuous audits.
- Volunteering action "Brigada do Mar – limpeza e descontaminação de praias em Portugal."

## DECEMBER

- EDP Group CMF/CAUD meeting.
- Internal Audit self-assessment and evaluation of the audit work done by CAUD.

- Volunteering action "Sacolinhas de Natal" in EDP Brazil.

- Project kick-off for the implementation of a dashboard to monitor DAI's activity.



## 4. — Performance indicators

DAI's performance, its composition, knowledge, experience level and the development of its employees as well as the level of internal client satisfaction are continuously monitored throughout the year either internally or by the Group's government through the performance indicators presented bellow. These procedures enable the constant improvement of DAI's activity in accordance with its goals and in line with the Group's strategic priorities.

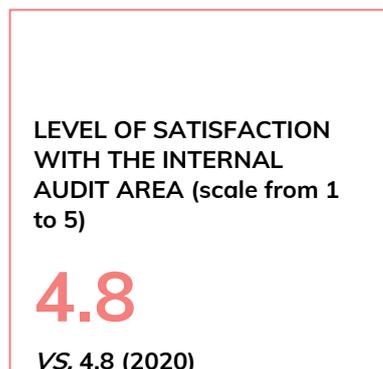
### Performance indicators



### Human resources



### Quality and Effectiveness





CHANGING TOMORROW NOW





# GREEN

Giving energy transition  
the right color.

## 5. — Activities completed in 2021

### 5.1. Internal Audit

The adaptation to the new reality derived from the COVID 19 pandemic, which started in 2020, continued during 2021, where successive waves of infections meant that ensuring work in safety conditions continued to be the priority of the EDP Group and DAI. In this way, and even with some moments throughout the year when it was possible to resume a certain degree of face-to-face work, enriching in terms of sharing and communication, the execution of the activity in remote still had a very relevant weight.

In this demanding context, DAI developed the Activity Plan scheduled for 2021, another plan built with ambitious objectives and aligned, among others, with the main strategic initiatives of the EDP Group and which required a high level of involvement and active participation of the entire team as well as the support and collaboration of employees from all areas impacted by the activities carried out.

The successful achievement of these objectives made it possible to assess the Group's existing control environment in different companies, areas and processes, as well as to identify, when applicable, opportunities for improvement that contribute to the EDP Group, as a major international player, standing out not only because of its social and environmental commitment or for the growth, diversity and profitability of the activities carried out, but also for the rigor applied in matters of governance, compliance with regulations and the effectiveness, efficiency and safety of its operations.

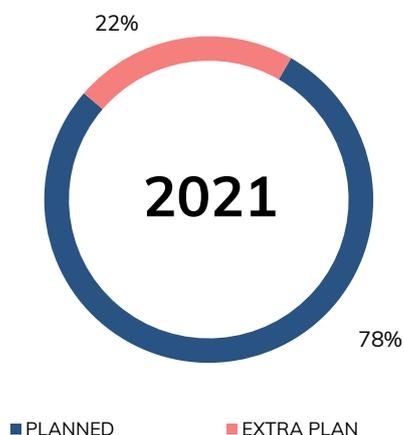
In a more specific context, 2021 was a challenging year due to the nature of the different activities carried out by DAI, with emphasis on:

- the structuring and development of the internal audit activity in the new organizational structure resulting from the integration of the Network activity in Spain, following the completion of the corporate transaction for the acquisition of Viesgo at the end of 2020
- the progressive growth of the portfolio of continuous audit indicators in key matters from the point of view of internal control, such as purchases or treasury
- the execution of comprehensive audits on processes that were subjected to pressure scenarios due to the pandemic, such as those related to the management and recovery of commercial debt and the management mechanisms aimed at ensuring business continuity
- carrying out maturity diagnoses in "state of the art" matters such as data governance
- the elaboration of the DAI Strategic Plan 2021-2023, with a transversal and integral vision of the Internal Audit activity in the Group, involving the Internal Audit Divisions of the different geographies, and which is composed of 46 initiatives around 5 axes - governance model, auditing informed and aligned with the business, organization and human resources, technology and methodology and quality.

## Audits, consulting and similar

The Internal Audit Plan for 2021 which included 138 audit works and 7 consulting and similar works suffered some modifications. Thus, 41 works were included which were not initially planned. As of December 31, 2021, 162 audits have been concluded or were in the conclusion phase, and the achievement percentage of the objectives set for the year was 129%.

### AUDIT WORKS BY TYPE



The fulfilment of the plan encompassed 35 Entities/Business Areas audited in the different geographies where EDP Group is present and were executed a set of important works aligned with the Group's Strategic Plan for 2011-2025.

	2021	2020
Reliability of Financial Information	3	4 +2 Extra plan
Effectiveness, Operational Efficiency and Normative	81 +18 Extra plan	83 +33 Extra plan
Information Systems	19 +11 Extra plan	22 +4 Extra plan
Continuous Audit	19 +1 Extra plan	15 +1 Extra plan
Follow-up of Recommendations	16	16
Consulting and similar	7 +11 Extra plan	
Total Activities	145 +41 Extra plan	140 +40 Extra plan

## Recommendations

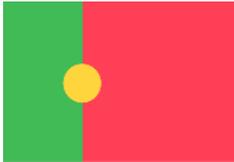
The 162 audit works concluded during 2021 resulted in the issuance of 970 recommendations which resulted in implementation plans elaborated by the key contacts in the audited area and supervised by the respective Administrators/Corporate Centre Directors and accompanied by DAI through trimestral follow-up.

The table below details the recommendations issued by type.

### Type of the recommendations issued in 2021

TPOLOGY	ISSUED IN 2021	%	ISSUED IN 2020	%
Operational effectiveness and efficiency	568	59%	560	60%
Safety and security	185	19%	82	9%
Compliance with internal policies and standards	147	15%	167	18%
Compliance with legislation and legal norms	48	5%	75	8%
Reliability and integrity of fiscal information	9	1%	25	3%
Infrastructures	5	1%	4	0%
Integrity	4	0%	10	1%
Service	3	0%	1	0%
Application	1	0%	14	1%
<b>Total</b>	<b>970</b>		<b>938</b>	

## Areas covered by Internal Audit works



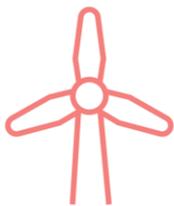
### Portugal

- Social investment
- Data governance
- Green bonds
- IT Cybersecurity (transversal to the Group)
- OT Cybersecurity including PSE's (transversal to the Group)
- Business managed applications
- Continuous audit of segregation of duties
- Market separation
- Access Management
- OT external service providers
- Cloud migration
- Management and control processes of external service providers
- Electric mobility
- Long-term energy sales contracts
- Business continuity management mechanisms
- Security measures in new applications (SICUR, Easy4U)
- GDPR
- Hiring and management processes at EDP Foundation
- Energia RE external service providers
- Hydroglobal
- Billing and debt management
- Development of continuous audits of purchasing and treasury (transversal to Portugal, EDP Spain and EDP Renewables)



## Spain

- OT Cybersecurity
- Business continuity management mechanisms
- B2B offer management
- Compliance with relevant contractual clauses with third parties
- Access Management
- Development of continuous audits of purchasing and treasury
- Attribution of consulting and management costs to subsidiaries
- Document management
- Separation activities integration Viesgo
- Maintenance of production centres
- Investment projects in the area of networks
- Control of bank movements



## Renewables

- Control OW projects (Lems, Mayflower)
- Supplier qualification process
- Development (Colombia)
- Solar construction (Pereira Barreto)
- O&M at North America
- CAPEX estimation (Europe, North America and Solar)
- Crisis management mechanisms and business continuity
- Digitalization strategy implementation
- MPRJP controls (criminal prevention)
- OT security
- Europe trading activities
- Cloud base software monitoring
- Transactions with related parties
- HR: business plan alignment and retention
- Review of the SCIRF model
- Basis & curtailment North America
- Follow-up audit for International Growth



## Brazil

- RPA Robotics Process Automation
- Technical and commercial services
- Governance model and security procedures in the OT environment
- Third-party management EDP Brazil
- Physical security of the facilities
- Calculation and disclosure of technical losses in distribution
- Database administration
- Compliance Programme
- Team management and field activities (WPA and WMS)
- Implementation/adaptation to GDPR
- Transferring customer debits/credits, continuous audit

## 5.2. Other activities and projects

In 2021, other projects and activities were developed, such as:

- consolidation of processes in execution of continuous audit in matters such as access management, critical security events and credit and debit transfer indicators and development of continuous audit processes in the purchasing and treasury area
- implementation of the ACL, as a tool to support audit work
- search for an application to replace DAI's application of Management of Audits and Recommendations (GAR)
- upgrade of TeamMate (audit work documentation tool) with move to the Cloud
- Onboarding DAI – model for integrating new incorporations that helps new employees adapt to the new workplace and develop the tasks inherent to the function, as well as the organizational culture and knowledge of new colleagues
- development of a model of skills and competencies for auditors according to the role they play
- consolidation of the AI work model at OW and coordination with Engie's Internal Audit
- reflection on the structure of teams and work model
- alignment of the working model with the financial auditors.

## 5.3. Internal quality indicators

According to what's defined in the Internal Audit Manual of the EDP Group, audit works concluded are subject to a quality assessment done either by the Business Units or by the audited areas, through the answer to a questionnaire which classifies the quality and satisfaction level attributed to the audits respectively.

The level of quality and satisfaction of internal clients was on average 4.8 (on a scale from 1 to 5) within the Group.



An aerial photograph of a vast, dense forest, likely a tropical rainforest, with a blue-tinted overlay. The forest is composed of numerous small, rounded tree canopies, creating a textured, undulating surface. The lighting is soft, and the overall color palette is dominated by various shades of blue and teal, giving it a serene and somewhat ethereal appearance. The text is overlaid on the bottom right of the image.

# GLOBAL

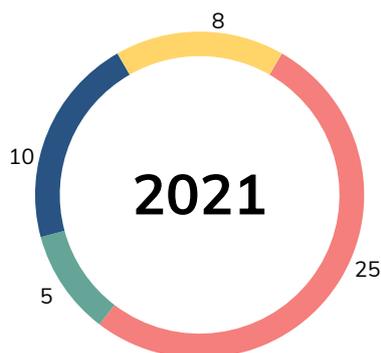
Creating a carbon  
neutral planet.

## 6. Human resources

### 6.1. Number of employees

In 2021, the Internal Audit Department had a total of 48 employees, a 9% increase in relation to 2020, with an average age of 39 years. The employee distribution across the Group's geographies is represented in the chart below:

NUMBER OF EMPLOEES PER GEOGRAPHY



■ PORTUGAL ■ EDP SPAIN ■ EDP RENEWABLES ■ EDP BRAZIL

Throughout the year of 2021, 5 new employees were recruited, and 1 employee departed, whose distribution by geography and by recruitment sources/destinations is illustrated below.

Additionally, during 2021, the Internal Audit area in Portugal kept its policy of giving recently graduated students the opportunity for their first contact with the real business world resulting in the hiring of some interns from outside the Group.

#### New Employees

+5

+3

Portugal

+2

EDP  
Renewables

#### Employee Departures

-1

-1

EDP  
Spain

#### Sources of recruitment

5

External  
recruitment

#### Departure destination

1

Retirement/  
Pre-retirement

## 6.2. Professional qualifications

Annually, DAI designs and/or updates an internal training program for each of its employees, with mention to participation in national or international seminars and/or other training events relevant for the work performance of each member. Additionally, it's important to highlight the continuous training/learning component, on the job, from the participation in each audit work.

The total number of training hours, from internal and external sources, for DAI employees in all geographies (Portugal, EDP Spain, EDP Renewables and EDP Brazil) in 2021 was 1,574 hours versus 1,205 hours in 2020. The average number of training hours per employee was 34 hours in 2021 and 29 hours in 2020. In 2020, the number of training hours has suffered a reduction by virtue of the decrease in face-to-face training sessions due to the pandemic situation however in 2021 the training hours were similar to that recorded in 2019 (total of 1,629 hours with an average of 39 hours per auditor).

### Training summary table 2021

TRAINING FIELD	TRAINING AREA	TOTAL	%
<b>BEHAVIOURAL</b>		69	4.4%
	Leadership	28	
	Interpersonal relationships and communication	27	
	Emotional intelligence	14	
<b>MANAGEMENT</b>		23	1.4%
	Finance	23	
<b>ORGANIZATIONAL</b>		165	10.5%
	Institutional	61	
	Welcoming sessions	59	
	Human resources	32	
	Ethics	13	
<b>TECHNICAL</b>		1,317	83.7%
	Power BI e ACL	729	
	TeamMate+	199	
	Energy	105	
	Information systems	74	
	Cybersecurity	45	
	Internal audit	44	
	Compliance	34	
	Microsoft Office	24	
	Languages	24	
	Others	23	
	IPAI/IIA	16	
<b>TOTAL</b>		<b>1,574</b>	

DAI is composed in its majority by superior ranks, with base training in widely diverse areas from finance, economics, management, auditing, accounting, law, engineering, computer science, mathematics, having some collaborators additional complementary training, namely:

## Professional qualifications summary table 2021

QUALIFICATION	EMPLOYEES
MBA	Concluded: 7 employees In training: 1 employee
MASTER OR POST-GRADUATE	18 employees (mainly in management and finance)
CIA CERTIFICATE	Concluded: 4 employees Close to conclusion: 1 employee
ADDITIONAL CERTIFICATES	CISA: 3 employees EFR" model: 3 employees ISO 27001 Lead auditor: 2 employees ISO 20000: 1 employee COSO: 2 employees ROC: 2 employees ITIL Foundations: 3 employees Certified accountant: 2 employees CISM: 1 employee CFE: 1 employee

CISA: Certified Information Systems Auditor | ROC: Revisor Oficial de Contas (Official account reviewer) | EFR: Family responsible company certification | CISM: Certified Information Security Manager | CFE: Certified Fraud Examiner

## 6. — Perspectives for 2022

DAI's Business Plan for 2022 incorporates, as usual, the main priorities perceived considering the Group's strategic objectives as well as the main risks that may impact on their fulfilment, aiming in this way to contribute to the reinforcement of the means and controls that contribute to its development, also providing valuable information to management in decision-making.

In addition, the Plan collects the main concerns and challenges perceived at an international level in term of internal audit, arising from the current context and trends as well as emerging risks that affect organizations and which are added to pre-existing ones.

The execution of this Plan, in a context of integration of the management of the Group's activity by business platforms, requires an increasing effort from DAI in terms of team management and taking advantage of the individual capabilities of the people who integrate them. As an example of the measures taken in pursuit of this objective, it is worth mentioning the approach from an Iberian perspective to the management of the teams of internal auditors in Portugal and EDP Spain, as well as the enhancement in number, relevance and synchronization of audits carried out in coordination by the teams of auditors of the different subgroups.

The Audit Plan for the information systems area also includes the follow-up initiative of the cybersecurity audit recommendations and the audit of the infrastructure service contract carried out in 2020/2021. Additionally, the Audit Plan has a special focus on contracts with external service providers from a cybersecurity and contract monitoring perspective, with the objective of implementing a process of recurrent audits of these contracts in the different Business Units (IT and OT).

More specifically, regarding the matters covered by the Plan of Activities planned for 2022, we can highlight, mainly:

- audits focused on verifying compliance with policies and procedures applied across the Group, critical in modulating the risk appetite defined in the EDP Group
- the assessment of the governance associated with the processes and initiatives aimed at achieving the major strategic objectives determined for the EDP Group
- carrying out comprehensive internal control diagnoses in activities considered to be "growth avenues" for the Group or in the management of key activities that ensure investment activities are carried out in a context of adequate control
- the execution of collaborations with other lines of defence of the Group in matters where regulatory compliance is of particular importance
- the continuity in the development of continuous audit initiatives and in the performance and/or monitoring of audits in matters subject to external certification, such as safety and health, environmental management or the consideration of Group companies as family-responsible companies
- continued implementation of the DAI Strategic Plan 2021-2023, with a view to continuous improvement.

In short, 2022 will be an exercise in which DAI intends to continue contributing in the best possible way to the fulfilment of the commitments, always demanding, assumed by the Group with its stakeholders.



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