



# CHANGING TOMORROW NOW

COMMITMENT TO  
CLIMATE TRANSITION  
2030





# EDP's Commitment to Climate Transition 2030

This document summarizes the forward-looking statements EDP has published in several documents during 2021. It includes forward-looking statements regarding environmental goals, social targets or commitments; any of which may significantly differ depending on a number of factors, including the outcome of government regulatory interventions, policies and actions.

This document may also contain statements regarding the perspectives, objectives, and goals of EDP, concerning ESG (Environmental, Social & Governance) objectives, including with respect to energy transition, carbon intensity reduction or carbon neutrality. An ambition expresses an outcome desired or intended by EDP, it being specified that the means to be deployed may not depend solely on EDP.

Commitments undertaken are based upon various assumptions, supported by historical operating trends, data contained in the Company's records and other data available from third parties. Although the Company believes these assumptions were reasonable when made, they are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors beyond company's management control. As such, these forward-looking statements are subject to change without notice unless required by applicable law.

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## The Document

This document summarises the decarbonisation commitments assumed in EDP's strategy, pointing out the main objectives and goals for the next decade and demonstrating the contribution to energy transition, on a path aligned with the ambition of the Paris Agreement to limit the increase in global average temperature to 1.5°C.

Based on solid ethical principles, transparency, rigour and completeness are central to this first document, which is focused on the essential elements of decarbonisation and the embryo of a future Climate Transition Plan, within the framework of recently published international standards, namely the recommendations of the Task Force on Climate-related Financial Disclosures.

As an integral part of the EDP Group's Sustainability Report, we describe the path set out up to 2030, the context that justifies it and the way in which we are organised to achieve the goals to which we are committed.

The year's performance is, in turn, compiled in the body of the Sustainability Report. Both documents are approved at the General Shareholders' Meeting, reinforcing the collective commitment to the defined strategy.

Detailed information on our past and current performance may be consulted in the Sustainability Report 2021.

## — Message

### Dear shareholders and other interested stakeholders,

Humankind is facing a climate emergency. It is urgent to stop, during this decade, the increase of greenhouse gas emissions into the atmosphere and, together with other social actors, the world must reach carbon neutrality by 2050, if we want to limit the growth of global average temperature to 1.5°C. The path is arduous, but possible, and the electrification of the economy, namely through renewable energy production, is recognized as one of the most important contributions to this transition. Its acceleration is critical and at EDP we want to lead the energy transition, assuming this opportunity with enormous responsibility and commitment, laying our experience and dedication at the service of society, developing solutions capable of addressing this unprecedented challenge.

At the beginning of 2021, we presented our strategy for 2025 to the market, complemented with a vision for the decade ahead. We plan, in this five-year period, to invest 24 billion euros, 80% of which in the growth of renewable installed capacity, and the remaining 20% to be distributed by areas that can leverage responses to the challenges of transition. Of these, 15% will focus on network growth and intelligence and 5% on energy sale and management, providing our customers with a growing number of decarbonized services.

It is in this set of priority action axes, based on a strong innovation culture, that we find the best response to the decarbonization of a sector that will have to be completed in 2040, if we are to comply with the Paris Agreement. To the other sectors of activity, we appeal that you count on us to walk the path of decarbonization that the world needs.

By the end of 2025 we will no longer have coal and by 2030 we will have decarbonized 98% of our entire portfolio, achieving carbon neutrality in our activities, with a 100% renewable generation portfolio. We will also have reduced 50% of the CO<sub>2</sub> emissions we induce in the downstream and upstream of our value chain, compared to 2015 values. This new ambition is in line with the path defined by science to limit the increase in the global average temperature to 1.5°C, as recognized by the Science Based Target initiative (SBTi), during 2021. However, we are committed to going further and reinforcing our ambition to reduce CO<sub>2</sub> emissions in the supply chain, so that we can assume a Net Zero commitment during 202.

2022 begins with climate risks leading the top of global concerns, along with the imminent risk of a social crisis. Now, at EDP, we are more than twelve thousand people dedicated to achieving what we publicly commit, and in this publication, we share with all our stakeholders the path we intend to take and what we are willing to do to achieve it. We cannot do it alone; we rely on a collaborative action of the world and we ask governments to establish accelerating policies for a decarbonized society; industry to approach electrification as an economically effective decarbonization solution; and citizens to choose a sustainable future for the new generations.

**We are changing tomorrow now, preparing the company for the future, and this is our share of responsibility in building a decarbonised, resilient, socially fair, and inclusive society... a sustainable society.**



— Miguel Stilwell d'Andrade

CHAIRMAN OF THE EXECUTIVE  
BOARD OF DIRECTORS



— Miguel Setas

MEMBER OF THE EXECUTIVE  
BOARD OF DIRECTORS

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# CLIMATE EMERGENCY

## We live in a decisive decade

The world is beginning to feel the effects of climate change and faces the greatest challenge known to date: changing the development paradigm at a speed never seen before, with the energy sector playing a primary role in the transition to a decarbonised society, in line with the ambition of the Paris Agreement. **We are living a climate emergency.**

**The world is facing unprecedented challenges<sup>1</sup> ...**

<b>~10 Bn</b> world population in 2050	<b>~50%</b> increase in energy consumption by 2050
Up to <b>1 Bn</b> of climate migrants by 2050	Up to <b>2.5m</b> sea level rise threatening >600 cities by 2100
<b>+2.7°C</b> temperature increase during this century	<b>&gt;7%</b> of GDP per capita at risk this century

**... and is joining forces in this fight ...**

The Paris Agreement set ambitious, global climate goals for the first time: 'to maintain the global averaged

temperature increase well below 2°C compared to pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels', as well as to ensure a neutral balance between emissions and removals by sinks of greenhouse gases (GHGs) in the period 2050-2100.

Simultaneously, a global coalition led by the Science Based Targets initiative launched the 'Business Ambition for 1.5°C - Our Only Future' worldwide campaign, which already has over 1100 companies committed to climate action towards the 1.5°C goal and to decarbonisation. A success that reflects the importance and urgency of climate science.

The 2021 Emissions Gap Report by UNEP (United Nations Environment Programme) shows that according to the current Nationally Determined Contributions (NDCs), we are heading for a 2.7°C temperature increase by the end of the century. A path that requires immediate action by all.

Business sector leadership is therefore critical to address the climate emergency and accelerate the transition to a carbon-neutral economy. Businesses around the world are scaling innovative solutions and presenting strong plans for urgent action in line with 1.5°C and carbon neutrality.

1- MF, NOAA, UN, World Economic Forum, International Organization for Migration, EIA

## The crucial role of the electricity sector

For the world to achieve carbon neutrality by 2050, the current pace of the global economy decarbonisation pathway needs to increase about five-fold, with the power sector playing a key role in this transition.

Currently, electricity generation represents 36% of total global CO<sub>2</sub>e emissions, with the carbon neutrality scenario of the International Energy Agency (IEA) pointing to 0% of the sector's emissions in the decade of 2030 in emerging economies and 2040 in the rest, i.e., 10 years ahead of other sectors of activity.

Also, according to the IEA, world electricity demand will more than double between 2020 and 2050, with the electrification of consumption, based on electricity produced from renewable sources, playing a crucial role in the reduction of CO<sub>2</sub>e emissions, contributing around 20% of the necessary global reduction by 2050.

The greatest energy conversion will take place:

- in industry, with the use of electricity for low and medium temperature heat production and the recycling of scrap steel
- in transport, where the share of electricity consumption will rise from 2% today in 2020 to 45% in 2050. 2030 will see the sale of electric

vehicles exceed 60% and by 2050 light fleets will be almost entirely electric

- in buildings, where intensive consumers of electricity will represent about 55%<sup>2</sup> of the total consumption of electricity worldwide.

Despite the strong focus on energy efficiency in the lighting and heating/cooling equipment used, the demand for electricity will continue to increase, representing about 66% of the total energy consumption of buildings in 2050. Finally, the production of hydrogen by water electrolysis, as a renewable source of alternative energy, will be a new source of electricity consumption with growing expression in the coming decades.

The electricity sector will thus have to rely increasingly on renewable energies, complemented by the rapid abandonment of coal and the decarbonisation of natural gas, while energy supply remains secure and affordable for consumers and businesses.

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<sup>2</sup> 2020 Global Status Report For Buildings And Construction

# We are a global energy company

Leaders in value creation, innovation and sustainability. We are present in 20 countries, with 0.65 million electricity customers, 0.69 million gas customers and over 12,000 employees worldwide.

On the Iberian Peninsula, we are proud to be a reference in the sector, being the largest generator, distributor and supplier of electricity in Portugal and the third largest electricity generation company in Spain. In Brazil, EDP is the fifth largest private operator in electricity generation. Through our subsidiary EDP Renewables, we are also one of the largest renewable energy operators in the world.

At the forefront of innovation and technological development, we invested early in the growth of renewable energies, which today represent 80% of our entire portfolio. This journey has been achieved based on strong ethical conduct and with human rights at its core. Our governance model has been strengthened, aligned with the highest ESG (Environmental, Social and Governance) standards, and we continue to report our performance transparently and regularly, helping the company to maintain its level of trust with the different stakeholders.

## Our mission in Climate Transition

**Promoting clean energy while operating in a sustainable way across the three ESG dimensions**

## The challenges in the countries where we are present

By the end of this decade, global energy consumption is expected to have increased, with electricity overtaking fossil fuel consumption.

In Europe, where more than two thirds of our business is located, the level of ambition is high. During 2021, the European Union approved the European Climate Law, which establishes carbon neutrality as a goal to be achieved by 2050, committing to reduce CO<sub>2</sub>e emissions by at least 55% by 2030.

In Brazil, 84% of the energy matrix is composed of renewable sources, with the main challenges of the sector including a necessary energy diversification that ensures the security of supply, given the high dependence on hydropower, and the reinforcement of interconnections capable of ensuring a greater renewable installed capacity.

In the USA, the new Biden administration has considered climate change as one of its priorities, putting the country back in the lead in this fight, establishing a broad plan for climate action, with a new level of ambition: to reduce its GHG emissions by 50-52% in 2030, compared to 2005.

# LEADING THE CLIMATE TRANSITION

## The path we want to follow

With the electricity sector playing a primary role in the transition of the remaining sectors of society, its decarbonisation trajectory must be anticipated to 2040.

**At EDP, we are committed to the process of transition to a low-carbon economy**, in accordance with the Paris Agreement and the European Union's obligations.

Therefore, to support the climate transition, we plan to invest €24 billion in the period 2021-2025. 80% will be dedicated to investment in renewable energy through various technologies - wind, solar, green hydrogen and energy storage. **For a sustainable business growth, we aim to ensure that by 2025, 70% of our turnover is aligned with the new EU Taxonomy, rising this figure to over 80% by 2030.**

Staying at the forefront of the climate transition requires strong investment in research and development and innovation. The former, focused on exploring new technology areas, applying new knowledge, testing technologies and processes and the latter, working with technologies/concepts of higher maturity and with a greater focus on impact. Complementarily, the digital acceleration process will transform the internal culture, bring agility and change the way we manage our assets and how we work and interact with all stakeholders. In the Customer area, we highlight the focus on increasing the quality and speed of customer service and in asset management area, the increase in efficiency focuses on the implementation of predictive maintenance solutions.

Globally, all contribute to accelerating new businesses that generate value and have a positive impact on this transition. **By 2025, we will invest EUR 2,000 million in R&D+i + Digitalisation.**

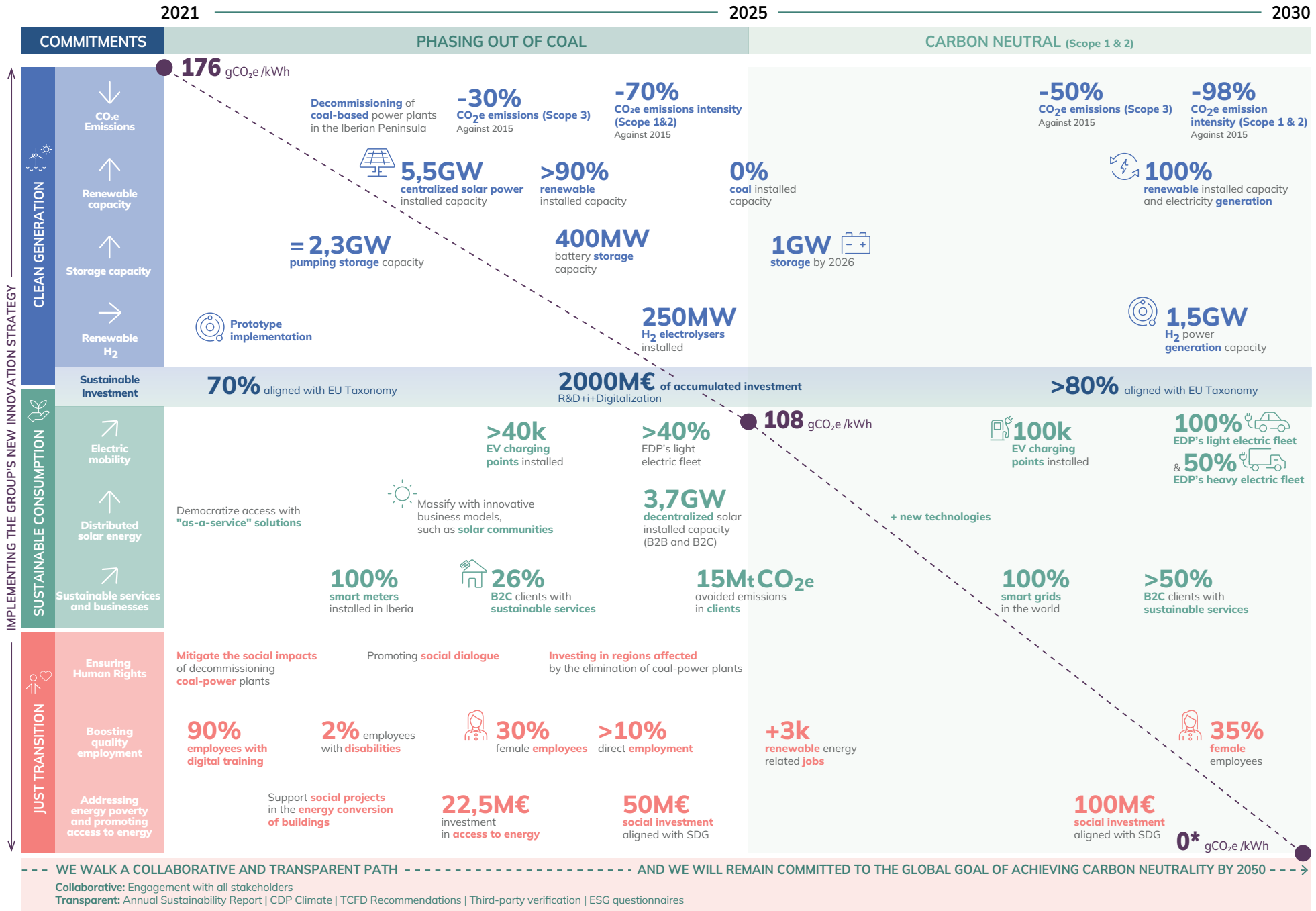
**We want to strengthen our focus on innovation, leveraged by a strong transformation and digital culture.**

### Our Commitment are structured on 3 Pillars

We have anticipated the transformation of the electricity sector and are today at the forefront of climate transition. We are committed to **eliminating coal** by the end of 2025 and reducing our Scope 1 and 2 emissions by 98%, achieving carbon neutrality in our activities by 2030.

Our public commitments towards the transition are now structured into **three pillars of action**, where we have set targets that will make it easier to assess the progress and evolution of our activities over the next decade.





\* 7gCO<sub>2</sub>e/kWh emissions offset



## I. Clean Generation

*Decarbonising production, achieving carbon neutrality and offsetting residual CO<sub>2</sub>e emissions*

### I.1. Reducing CO<sub>2</sub>e emissions

For the world to achieve carbon neutrality by 2050, the electricity sector will need to be able to reduce its CO<sub>2</sub>e emissions by 2040.

In 2019, by subscribing the “Business Ambition for 1.5°C” initiative promoted by the United Nations, we committed to setting a CO<sub>2</sub>e emission reduction target, consistent with what climate science defines as necessary to limit global warming to the most demanding level of the Paris Agreement. We were one of the first power sector companies worldwide with a strategy aligned with the necessary CO<sub>2</sub>e emissions reduction trajectory required by the Paris Agreement.

An ambition supported by increasing energy production from renewable sources, in parallel with the progressive **decommissioning of the Group's coal-fired power plants by 2025** and the **deconsolidation of gas-fired power plants by 2030**.

Our commitment to **reduce CO<sub>2</sub>e emissions** is a scientifically valid contribution to the fight against climate change, as recognised by the **Science Based Target initiative (SBTi)** for the targets set by EDP: to **reduce by 98% our combined scope 1 and 2 emissions intensity in 2030, plus a 50% reduction in absolute scope 3 emissions in 2030** (both against 2015 levels), as being aligned with the scientific trajectory required to limiting the increase in global average temperature to 1.5°C.

To ensure that these objectives are met, we have also set intermediate targets. Thus, we aim to achieve a **70% reduction in combined Scope 1 and 2 emissions intensity by the end of 2025**, compared to 2015, **plus a 30% reduction in absolute Scope 3 emissions in the same period**.

Overall, meeting this target will depend on several key areas of action:

- increasing our renewable portfolio
- progressive closure of coal-fired power plants in the Iberian Peninsula
- deconsolidating natural gas power plants in the Iberian Peninsula
- making low carbon energy solutions available to our customers, promoting the electrification of consumption and energy efficiency
- promotion of technological innovation focused on the barriers that still exist and the search for solutions to accelerate the climate transition.

Despite the continuous efforts to reduce GHG emissions, there are residual emissions that cannot be eliminated. With the trajectory defined, in 2030 we will maintain approximately 2% of CO<sub>2</sub>e emissions from our scope 1 and 2 activities, representing around 500 thousand tonnes of CO<sub>2</sub>e that **will have to be offset to ensure carbon neutrality in 2030 of our direct activities (scope**

**1 and 2)**. But we are committed to going further and to strengthen our ambition in establishing a Net-Zero target, still in 2022, aligned with the new SBTi Net Zero Guidelines.

Offsetting will be promoted only in situations where emissions cannot be avoided or mitigated and can be done through two complementary approaches:

- nature-based solutions
- technological solutions for carbon dioxide removal.

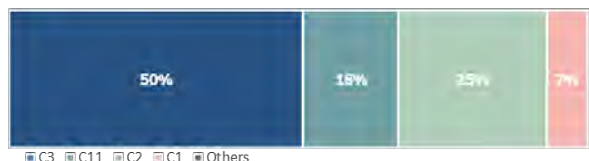
The use of a voluntary carbon market, facilitating the carbon offsetting with quality, is urgent and we expect the publication of consensual benchmarks that frame this activity, restoring the confidence that is currently eroded but necessary for the proper fulfilment of the goals we have set ourselves.

The carbon offsetting of the Group will then be subject to an internal regulation that will necessarily consider references such as The Oxford Principles for Net Zero Aligned Carbon Offsetting, the SBTi NetZero Guidelines or the Voluntary Carbon Market Integrity initiative.

Finally, we have assumed the commitment to reduce scope 3 emissions by 30% by the end of 2025 and 50% by 2030, compared to 2015. Scope three emissions represented, at the end of 2021, 49% of the Group's total GHG emissions, distributed mostly in categories **C1**, Acquisition of goods and services; **C2**, Capital goods; **C3**,

Fuel and energy related activities and **C11**, Use of sold products.

With the change in EDP's portfolio expected by 2030 and our commitment to actively influence the supply chain in



its emissions' reduction trajectory, scope 3 emissions will reduce by up to 50% in 2030, with categories C1 and C2 accounting for over 60% of total scope 3 emissions, compared with 32% in 2021.

**We believe that these contributions will be decisive to combat climate change and promote carbon neutrality, aiming at a more sustainable planet.**

## I.2. Increasing renewable capacity

Achieving carbon neutrality by 2050 requires a marked electrification of the economy and renewable technologies will be key to reducing CO<sub>2</sub>e emissions from power generation, with solar and wind power accounting for the largest growth rate. Their installed capacity will have to triple by 2030 and increase eightfold by 2050.

At EDP, we have anticipated this trajectory, with our long experience in the construction and operation of renewable assets, and today, 80% of our installed capacity is of renewable origin. **By 2030, we have committed to increasing this share to 100%.** This is our greatest contribution to the climate transition, accounting for 80%

of the Group's total investment in the 2021-2025 period. This investment includes wind, solar, green hydrogen and energy storage technologies.

With a renewable installed capacity of 20 GW, our growth will be 4 GW per year, doubling the current installed capacity in 2025, predominantly based on wind and solar. With a focus mostly on **centralised generation, distributed solar will reach 3.7 GW**, which represents a strong acceleration from the current 436MW.

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*"EDP, as a leader in the energy transition, is clearly aware that the fight against climate change is urgent and requires climate action. That is why (...) **we are taking concrete steps to support the decarbonisation of all sectors of the economy.**" - Miguel Stilwell d'Andrade, CEO of EDP and EDP Renováveis*

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## I.3. Increasing storage capacity and promote system flexibility

With the increase of renewables in the electric system, the intermittency of this type of production is a challenge being addressed under an accelerated climate transition. If, at certain times, the absence of wind and/or sun results in a generation deficit, at other times there will be surplus periods.

It is therefore necessary to develop and test storage solutions capable of responding to fluctuations in the supply of electricity from renewable energies, ensuring synchronised use with consumption needs and allowing excess electricity to be stored until demand returns.

In a sustainable, optimised and efficient electric system, the ability to store energy is as important as the ability to generate electricity.

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*"Consumption I still don't control, generation even less, I'm going to need a piece of the puzzle that does what our body does, that **stores energy.**" - André Botelho, EDP Inovação*

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In short, reinforcing energy storage contributes to the flexibility of an electricity grid that will distribute predominantly renewable energy in the future.

The challenges and responses to storage needs are different, with solutions being developed centrally, in large renewable power plants, or decentralised, close to the residential, industrial or community customer.

In the centralised form, we already have 2.3 GW of pumped storage, a solution provided by the hydroelectric plants, in a strong investment by EDP in Portugal. It allows us to store water in periods of excess renewable production and to respond to situations of need in the short or medium term.

Battery energy storage systems appear as a complementary solution. Although considered important technological facilitators, improvements in performance must be achieved to increase competitiveness, with reduced costs and sustainability. The different solutions under development vary in their location in the electricity system, and may exist in grid-scale systems, with the hybridisation of wind and solar farms, or on the customer's side, for private consumption including, or not, the delivery of electricity to the distribution network.

Finally, the production of hydrogen from surplus renewable electricity is another storage mechanism. Still embryonic, it presents a strong potential for development in the short-medium term. (see section *I.4 Investing in renewable hydrogen*).

### At EDP we are preparing the future, today!

Given the importance of this issue for the success of the climate transition, energy storage is a key area for EDP. And so, we have created an internal unit dedicated exclusively to the development of storage solutions.

Complementarily, it is also one of the areas defined by the **Group's new Innovation Strategy**, which has different projects underway, in order to contribute to EDP's commitment of reaching **0.4 GW of storage capacity by 2025**.

## I.4. Investing in renewable hydrogen

The production of renewable hydrogen will play a crucial role in the energy transition, opening the range of low-carbon solutions in sectors hard to electrify, such as heavy industry, by providing high-temperature heat, or the transport sector, where the speed of charging, for example, could be a competitive advantage in long-haul vehicles compared to battery vehicles.

At EDP, the development of solutions and ecosystems for the production, distribution and consumption of renewable hydrogen is an important business area and an opportunity to contribute to the decarbonisation of the economy. Renewable electricity represents more than 50% of the total costs of hydrogen production and our extensive experience in the renewable sector becomes a differentiating factor in this new market.

Thus, a business unit dedicated to strategic analysis and coordination of the different pilot projects under development was set up, relying on the innovation teams, framed within a new corporate strategy, aiming to promote green hydrogen projects in the industrial and transport sectors.

The development of different types of projects, either at scale, associated with centralised production, or in small units for self-consumption (1-10 MW) allows us to strengthen internal knowledge and define lines of investment for the future.

There are already projects underway in the USA, Brazil and the Iberian Peninsula, the latter with the particularity of being a region where EDP is also closing coal-fired power stations. Synergies are sought between this new line of growth and sites with coal power plants in the decommissioning phase, as a contribution to the Group's ongoing Just Transition strategy. An example is in the Sines region, Portugal, where the coal plant has closed in 2020 and a 100 MW hydrogen project is already under development, as part of an extended consortium financed by Horizon 2020. The project will be developed over the next two years, and, in case of a positive assessment, it will start construction in 2023.

**By 2025, the Group expects to have 250 MW of electrolyzers, accelerating the business from there to reach 1.5 GW in 2030.**





## II. Sustainable Consumption

*Decarbonise consumption and promote low carbon solutions*

### II.1. Promoting electric mobility

The transport sector is another essential driver for the global fulfilment of the Paris Agreement. Responsible for 25% of global CO<sub>2</sub>e emissions, in the last few years it has been going through a period of rapid transformation, in an accelerated demand to decarbonise, where electricity takes a pivotal position in the rapidly accelerating set of solutions.

Electric mobility has shown a rapid growth worldwide, with an upward trend in the next 5 to 10 years, due to the progressive reduction of the cost of batteries and social pressure.

The electric vehicle has an energy efficiency 2,5 times higher than the diesel vehicle and is today a competitive alternative in certain segments and types of use. It is the appropriate solution for the decarbonisation of light vehicles, when ensured by renewable sources, also contributing to the reduction of energy dependence and security of supply, one of today's geostrategic concerns. It is also the most effective response to combat air and noise pollution, a growing public health problem, especially in urban areas.

EDP has been developing sustained work in electrification leadership, with a clear focus on the development of new energy charging solutions and the promotion of an ecosystem of partnerships for electric mobility. Considered an essential driver of our business development in the retail business, internal organisational

units were set up. On the commercial side, these are focused on the strategic monitoring and development of electric mobility products in the residential and commercial segments. On the distribution networks side, the focus is on the development of charging infrastructures, today a growing barrier to the development of this market. **By 2025, we expect to have more than 40,000 electric chargers installed** and to be pursuing accelerated growth in customers with electric mobility services.

In addition, EDP's internal guiding principle is to lead by example and learn by doing. The company manages a fleet of around 3,600 vehicles and committed internally to **electrify 100% of our light-duty vehicles and 50% of our heavy-duty vehicles by 2030**. With this ambition, we estimate a 70% reduction in CO<sub>2</sub>e emissions from the entire EDP fleet in 2030.

### II.2. Increasing distributed solar energy

Anticipating the new energy paradigm, EDP has been establishing its presence in a future where the production, consumption and distribution of energy will be increasingly decentralised.

Decentralised solar energy production is now a reality and is expanding, in line with the objectives of decarbonisation by 2050 and driven by the evolution of the regulatory framework for self-consumption. This

democratisation of solar energy will be a key driver of the climate transition and will thus assume a prominent role on the path to decarbonisation of society.

At EDP, this business has been reinforced, with the offer of distributed generation solutions from renewable sources adapted to customers and local features. We intend to continue helping companies in the solar transition, developing business models with a strong innovative component, including:

- The support for the electrification of families and companies, offering a personalised photovoltaic installation service
- The democratisation of companies' access to distributed solar with as-a-service solutions, in which EDP assumes the investment of the installation
- The massification of self-production by families through business models, such as solar communities, which take advantage of available space in nearby buildings.

We believe that the reduction in cost, as well as greater environmental awareness among citizens, will contribute to an huge acceleration of photovoltaic solar energy in the coming years. And so, **we have set the goal of reaching 3.7 GW of decentralised installed power (B2B and B2C) already in 2025**.

## II.3. Promoting sustainable services

The global climate policies have reinforced the need to promote the improvement of energy efficiency as one of the main drivers for the decarbonisation of all sectors of activity and recognised as an area of core action for the success of the climate transition to which the world has committed itself. It is important to stress that this is an area where the technology exists, and the solutions are already largely competitive. The IEA's scenarios for carbon neutrality assumes that energy efficiency will be the largest contributor to the reduction of CO<sub>2</sub>e emissions by the end of this decade.

For EDP, responding to the challenges of sustainable development also means ensuring that our customers see in us a partner in their own decarbonisation trajectory, complementing the offer of renewable electricity with the provision of a wide range of services that contribute to the decarbonisation of the entire economy.

At EDP, we have been providing a set of low carbon services, in particular energy efficiency and replacement of energy sources that contribute to the decarbonisation of our customers' consumption, having **committed to the goal of 15 MtCO<sub>2</sub>e avoided in customers by 2025**. We have also set a target of reaching **at least 26% of our residential customers with sustainable services**, extending the range of services to promote greater circularity of electrical equipment, such as providing repair and maintenance services. We will work to increase the penetration of new sustainable services, with the aim of covering **more than 50% of our customers with these services** by the end of the decade.

All this will be done with a strong bet on a greater intelligence of the networks. These will have to adapt to distributed models and to a greater intermittency caused by the growing penetration of renewables and will, in turn, provide customers with information about their own consumption, optimising, favouring efficiency and improving the quality of the service provided. In this domain, we have worked intensively to accelerate the installation of smart meters, with different speeds in the different regions where we operate, due to the different regulatory frameworks in place. By 2025, our networks in the Iberian Peninsula will have installed 100% smart meters, extending to 100% by 2030 of smart meters in all the regions where we operate today.



### III. Just Transition

*Promote a just transition by mobilizing renewable energy investments in coal phase-out regions and support workers and communities in a sustainable and economically inclusive way.*

The transformation of energy sources and infrastructures into a low-carbon economy reconfigures supply chains, relocates generation centres and modifies the type of professions and professional skills needed by the sector. With the closure of mines and thermal power plants, this transformation extinguishes jobs and impacts the well-being of local communities dependent on industry. At the same time, renewable energies create new jobs, new professions and create opportunities for improving working conditions and equality.

We assume the Just Transition as a priority of EDP's business strategy and are committed to ensuring the social protection of unemployed direct workers, favouring their redeployment of these workers to new job opportunities, ensuring their requalification and mitigating their relocation. We also advocate effective public policies for social protection and requalification of directly and indirect workers affected in the framework and spirit of the European Fair Transition Mechanism.

In order to mitigate negative social impacts on employment and local communities, **we are committed to planning the closure of coal-fired power plants by 2025**, identifying impactable stakeholder Groups, promoting social dialogue and joint action. We also commit to creating employment opportunities and promoting equality for affected communities by investing in new renewable projects that create local employment, and broadly to fostering gender balance and the inclusion of vulnerable people in the employment opportunities generated by renewable investment.

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*"Regarding Sines, we had a 1.2 GW coal-fired power plant that was decommissioned, and we are now working hard on additional projects in the same site to take advantage of infrastructure and human capital in that location," - Miguel Stilwell d'Andrade, CEO of EDP and EDP Renováveis*

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#### III.1. Ensuring human rights

All societies experience problems and face key challenges concerning the respect for human and labour rights. Financial and economic crises, profound social inequalities, armed conflicts, geopolitics and the shortcomings of democratic institutions, among many other factors, require companies to constantly monitor risks, define active structures and procedures, and apply active policies in all their decisions and operations.

At EDP, we are particularly attentive to the challenges of climate change, where scenarios such as the increased frequency and magnitude of extreme phenomena, persistent changes in ecosystems and rising average sea levels will exacerbate inequalities and further weaken vulnerable populations. In this sense, the strategy of investing in renewable energy, in order to decarbonise economies, is in itself a strategy for the defence of human rights. However, whether investing in renewable energy plants or in renewable energy supply chains, respect for human and labour rights must also be ensured through effective corporate policies.

In this context, we are committed to respecting and ensuring respect for internationally recognised human and labour rights by implementing the obligation of duty of care and diligence in all our decisions, as set out in EDP's Human and Labour Rights Policy, paying special attention to the rights of local communities and extending equivalent obligations to our suppliers. EDP will also promote the development of respect for human and labour rights within the framework of sectoral corporate initiatives and associations.

#### III.2. Boosting quality employment

Employment opportunities are key in planning for a low carbon economy. EDP's planned strong investment in climate transition leads to an intensive job creation in the construction phase, with the Group anticipating an **increase in direct job generation of more than 10% by 2025, with more than 3,000 jobs being generated in the renewables business.**

In addition to job generation, ensuring that the principles of ethics and inclusion are mirrored in each step of our steps is a priority. Gender equality at EDP is recognised as being at the basis of any society free of prejudice. Therefore, regardless of gender, we value the skills of all our employees.

For equal opportunities, we are committed **to increasing the number of female employees in the company by 30% by 2025 and 35% by 2030**. Additionally, we are

following a path that we want to be inclusive, aiming to strengthen our EDP team with at least 2% of employees with some kind of disability, creating work opportunities and inclusive teams.

### III.3. Addressing energy poverty and promoting access to energy

Energy poverty results from the financial inability of families to maintain the levels of thermal comfort recommended by public health authorities. Low income, combined with poor thermal quality in residential buildings, creates a social problem which must be tackled through structural public policies and within the scope of energy transformation.

We argue that public policies should prioritise financing energy efficiency and the decarbonisation of vulnerable people's buildings in energy poverty and create market incentives. In addition, as part of our voluntary social investment programme, we are committed to supporting social sector projects in the energy rehabilitation of buildings.

In another approach, energy poverty also manifests itself in communities that do not have access to the electricity grid, a phenomenon that in sub-Saharan Africa affects around 70% of the population. Worldwide, 789 million people still have no access to electricity and around 3 billion people depend on firewood, charcoal and agricultural waste for cooking and heating.

As part of the strategy to support the electrification of populations without access to energy (A2E), the A2E Fund was set up to improve the lives of people living in energy poverty, recognising that access to clean, affordable and reliable energy is a necessary condition for breaking this cycle, enabling social and economic development in remote rural areas. Through this Fund, we support sustainable, clean energy projects in the areas of education, health, water and agriculture, business and community.

**By 2025 we will invest 22.5 million euros in access to energy projects**, to which we will add 50 million euros of investment in communities, in projects aligned with the United Nations' Sustainable Development Goals. **By 2030, we aim to reach 100 million euros of investment in the communities**, accumulated from 2021.



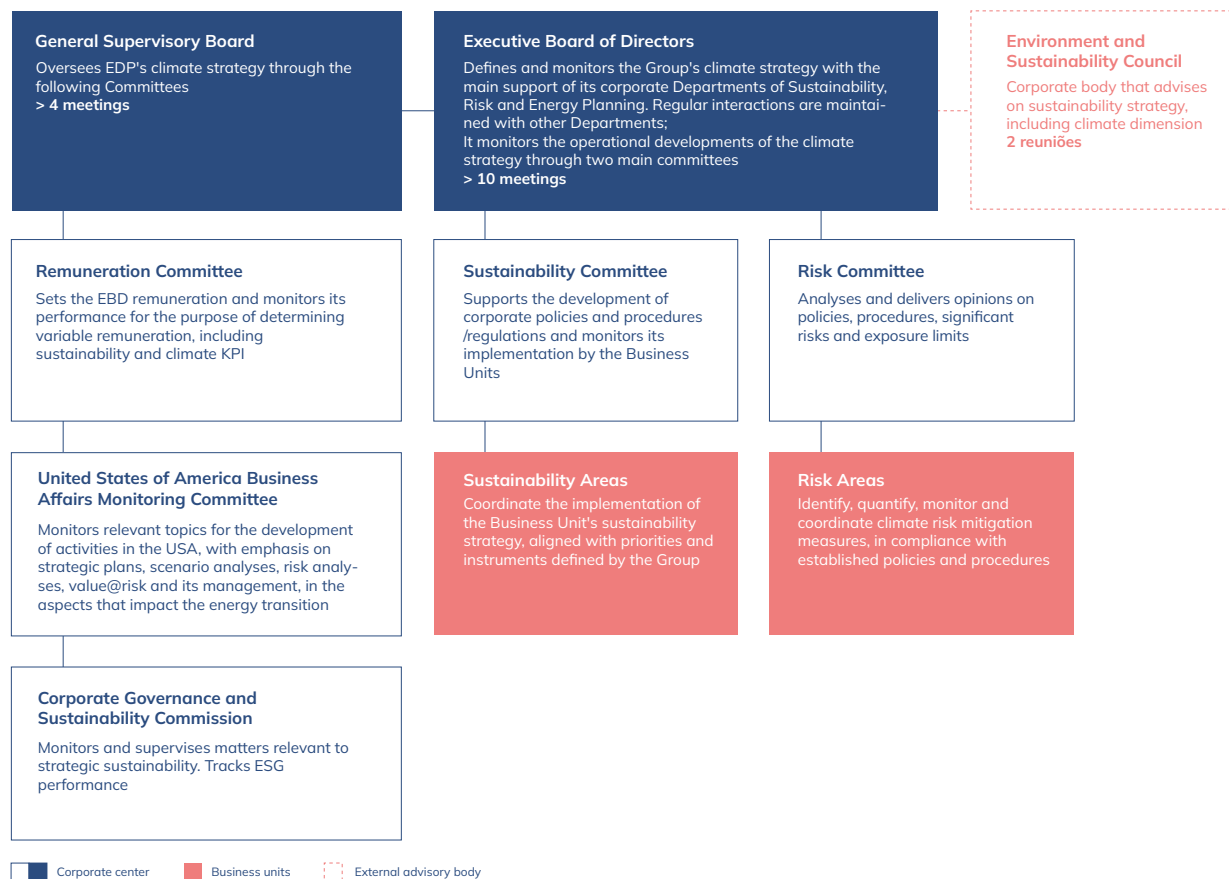
# A COLLABORATIVE AND TRANSPARENT PATH

## Our approach to climate issues

### Governance model

Our journey has been achieved based on strong ethical conduct and with human rights at its core. Our governance model has been strengthened, aligned with the highest ESG standards and we continue to report our performance transparently and regularly, helping the company to maintain its level of trust with the different stakeholders.

Climate transition is intrinsic to EDP's business, with an internal governance model that ensures the climate strategy and respective internal monitoring at the different levels of the organisation.



# Strategy and risk management

With this governance model, we strengthened the Climate resilience of EDP's strategy. We have incorporated the taxonomy of risks defined by the Taskforce on Climate-related Financial Disclosures (TCFD) and today we ensure the adequate monitoring, quantification and mitigation of risks and opportunities of business evolution, in different climate scenarios, in the short (3-5 years), medium (10 years) and long term (30 years), with stabilized annual review processes.

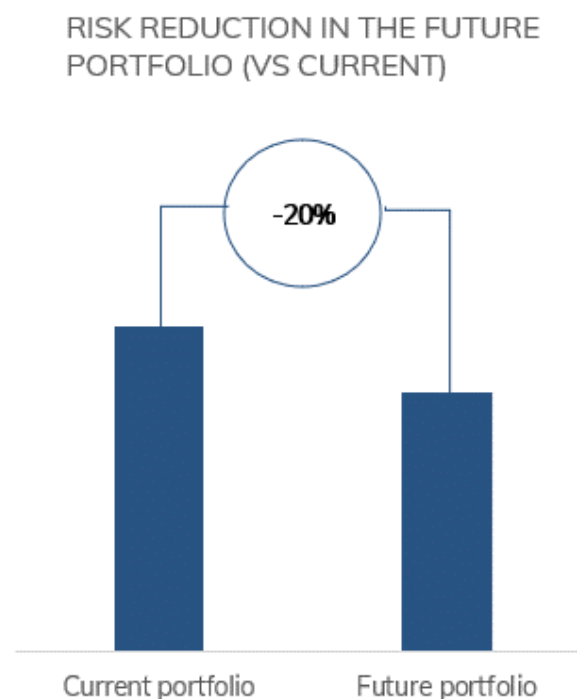
The three Climate scenarios adopted aggregate transition variables and physical variables mostly based on the International Energy Agency and the Intergovernmental Panel on Climate Change (IPCC) respectively.



Climate risks and opportunities with a material impact (over 1 M€) are periodically calculated based on the analysis of the impact on EBITDA and reported by each Business Unit/geography and duly aggregated through a Climate Value@Risk (considering a set of assumptions of correlation between risks and opportunities).

The results of the exercises carried out so far, demonstrate the resilience of EDP's strategy, with an annual risk reduction of around 20%, in 2050, compared with the current portfolio, mainly due to the mitigation of physical

risks, mainly derived from an increasing diversification of the business, technologies and geographies where we operate.



## Internal price on carbon

A carbon price is used company-wide to assess the impact of current and future carbon regulation and carbon taxes on energy prices, energy volumes, and existing assets' value, as well as to evaluate capital investments in building or acquiring new electricity generation assets across the globe. Meaningful carbon

prices strongly benefit EDP's business strategy, fully align with the Paris Agreement, and contribute decisively to its commitment to be carbon neutral well before 2050.

GHG-related regulation considered include the European Union Emissions Trading System (EU-ETS), which applies to our thermal power generation assets in Europe (Portugal and Spain), as well as in possible future markets in the only other geography where we currently own thermal power plants (Brazil).

## Climate-related targets and KPIs

EDP's strategy alignment with climate transition is materialised by the definition of a set of metrics and targets, aligned with the financial consolidation criterion. Medium (2025) and long-term (2030) goals are established and monitored at different times of the year, either monthly, quarterly or annually.

Two complementary sets of metrics are defined, based on 2015, when applicable:

- Operational metrics and targets, illustrating the evolution of the business in each fundamental pillar to the climate transition
- Climate metrics and targets, reflecting the evolution of the business in terms of its impact on CO<sub>2</sub>e emissions, or avoided CO<sub>2</sub>e, when applicable.

For this last Group of indicators, EDP uses the GHG Protocol as main reference. A more detailed description of the set of indicators and methodologies used to establish the targets presented in this document can be found in the Sustainability Report 2021.

# An active collaboration

The transition to a decarbonised economic model requires a long-term commitment focused on finding solutions capable of speeding up in a still bumpy path. This context requires continuous collaboration of all social agents, organised to promote synergies, deepen knowledge, share good practices and seek consensus between the different parties.

We assume the collaborative model as a key vector of success in this transition and an essential contribution to the achievement of our strategic objectives.

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*"The path of climate transition is made of **individual and collective commitment**" - Vera Pinto Pereira, Chairwoman of the Board of EDP Comercial*

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All Stakeholders are required to play a role in the climate transition and working together is essential for the success of our Commitment. Therefore, within the framework of our Stakeholder Relations Policy, we foster relationships of proximity and trust by incorporating contributions and expectations in decision making.

## Climate policy engagement

The challenges that society is facing require a planned action between energy and climate policies and other governmental areas, decisive for a trajectory towards a carbon-neutral economy that simultaneously promotes economic growth and improves the quality of life.

Recognising our role as key in the climate transition pathway, we actively engage in supporting a sector and climate policy aligned with Paris by assuming public positions on the different issues under discussion, through our participation in specific sector organisations, organisations focused on sustainability issues or by endorsing joint letters with other companies or organisations when it becomes relevant to assume an active voice advocating policies accelerating a climate and socially just transition.

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*Climate science and civil society are in full agreement - **we need faster action against climate change.** ( ...). **We will support policy makers every step of the way towards a carbon-neutral world by 2050.**" - Miguel Stilwell de Andrade, CEO of EDP and EDP Renewables*

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Because building a low-carbon future is not the responsibility of a single country, a single company or a single person, it is a job that is done together, **we actively and transparently join global initiatives to respond to climate change and climate transition**, aiming at promoting business sector leadership in building a future where we all want to live.

Some examples bellow:



We partner with a commitment to:

- sharing internal expertise
- contributing to the development of useful tools to support decision
- promoting consensus and contributing to sector standards
- taking common positions aligned with the Paris Agreement.

# Reporting on our progress transparently

Monitoring and reporting the progress of our goals and targets in a clear and transparent way is a key part of validating and demonstrating our commitment to the urgent need for Climate Transition. To this end, we track progress against internationally recognised frameworks such as CDP, SDFR, GRI Standards, SASB, TCFD and EDP Green Bond Framework (per ICMA 2018 rules).

We disclose progress on a quarterly basis, publishing an ESG Report oriented for investors, and on an annual basis in our Sustainability Report, with a broader stakeholder approach. We also maintain an institutional website with a core sustainability area.

Each year, we also publicly disclose our response to the CDP Climate Change questionnaire, detailing our climate change strategy and performance. In 2021, EDP was classified as Leadership A- with our subsidiary EDP Brazil achieving Leadership A for the first time. **We will continue to strengthen our leadership position** in the coming years, recognizing the new challenges ahead.

## But we will go further.

The climate emergency we face and the way in which different entities are acting, has raised an increasing interest for financial information related to climate change strategies by various stakeholders. Financial entities and investors increasingly require access to risk information that is consistent, comparable, reliable, and clear.

Given the growing concern of various stakeholders on the level of resilience of companies to climate change risk, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) has issued a set of recommendations on how to analyse, report and incorporate climate transition into companies' strategy to better reflect on long-term resilience and increase transparency and climate-related information given to interested stakeholders.

In 2018, we declared our public support to the TCFD recommendations and have since then reported information accordingly, on governance, strategy, risk management, metrics and targets, resumed in ‘

*Our approach to climate issues’.*

Alignment with these recommendations is currently detailed in our Sustainability Report 2021. We have reinforced our commitment to continue to deepen this process, incorporating best practices over the coming years, within the framework of future Climate Transition Plans.

In 2021, we launched a project to further develop these recommendations, assessing areas for improvement and structuring and formal creating a periodic process for assessing climate risks and opportunities, including their identification and quantification.

Alongside commitments to decarbonise generation and promote the electrification of consumption, we are **committed to progressively report accordingly to the TCFD recommendations in investment analysis and in public reporting** by 2022.



# ACRONYMS

ESG – Environmental, Social, Governance

EU ETS – European Union Emissions Trading System

GHG – Greenhouse Gas

IEA - International Energy Agency

IPCC - Intergovernmental Panel on Climate Change

NDC - Nationally Determined Contributions

SASB - Sustainability Accounting Standards Board

SBTi - Science Based Target initiative

SFDR - Sustainable Finance Disclosure Regulation

TCFD - Taskforce on Climate-related Financial  
Disclosure

UNEP - United Nations Environment Programme

# CONCEPTS AND DEFINITIONS

**Carbon (GHG) neutral(ity):** occurs when CO<sub>2</sub>e (GHG) emissions attributable to an organization are fully compensated by CO<sub>2</sub>e (GHG) offsets claimed by the organization. For EDP, means CO<sub>2</sub>e emissions' reductions of its scope 1 and 2 emissions by 2030, with neutralization of residuals emissions through high quality carbon credits.

**Climate-related risks:** risks arising from the effects of climate change. According to the TCFD taxonomy, they can be physical risks or transition risks.

**CO<sub>2</sub>e:** The CO<sub>2</sub> equivalent emissions of a given greenhouse gas (GHG) are obtained by multiplying the amount of emissions of that gas by its Global Warming Potential (GWP). It is a way to standardize the climatic effect of a given GHG in relation to the reference CO<sub>2</sub>, whose GWP= 1.

**CO<sub>2</sub>e avoided (by renewables):** Emissions that would have occurred if the electricity generated by renewable energy sources in a given geography was produced from the mix of thermoelectric power plants in that geography.

**Customer Avoided Emissions:** CO<sub>2</sub>e emissions avoided through the offer of low carbon products and services, substituting other less efficient and/or more CO<sub>2</sub>e intensive. Examples are energy efficiency improvement measures, the sale of green electricity, distributed generation and electric mobility.

**Greenhouse Gases (GHG):** for the purposes of GHG inventories, the following gases are considered: Carbon Dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous Oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF<sub>6</sub>).

**Net-Zero emissions:** when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period (<https://www.ipcc.ch>). For an organisation, it refers to the state achieved when an organisation's GHG emissions are reduced according to a science-based trajectory, and any remaining emissions that cannot be mitigated are fully neutralised by permanent removals of equal value.

**Offsetting:** Reducing GHG emissions or increasing GHG removals through activities external to an organization, in order to compensate for GHG emissions, such that the organization's net contribution to global emissions is reduced.

**Physical risks:** climatic risks related to structural changes on physical parameters (e.g. precipitation, temperature) with potential financial impacts typically in the medium/ long term. They can be event driven (acute) or longer-term shifts (chronic) in climate patterns:

- **Acute risks:** refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods
- **Chronic risks:** refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

**Scope 1 emissions:** Direct GHG emissions that occur from sources owned or controlled by the company.

**Scope 2 emissions:** Indirect GHG emissions resulting from the production of electricity (steam, heat or cold) acquired from third parties and consumed by the company.

**Scope 3 emissions:** Remaining indirect emissions, not included in scope 2, that occur upstream and downstream of the company's value chain. Scope 3 emissions are a consequence of the company's activities

but occur from sources not owned or controlled by it. They comprise 15 categories (8 upstream and 7 downstream).

**Specific emissions** (also known as **emissions intensity**): GHG emissions per unit of energy produced (typically tCO<sub>2</sub>e/MWh or gCO<sub>2</sub>e/kWh).

**Transition risks**: climate risks related to the transition to a lower-carbon economy, that may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.

# — CONTACTS

## HEAD OFFICE

### EDP — Energias de Portugal

Av. 24 de Julho, 12

249-300 Lisboa

Portugal

Tel: +351 21 001 25 00

Website: [www.edp.com](http://www.edp.com)

## INVESTORS

### DRI — Direcção de Relação com os Investidores

Av. 24 de Julho, 12

1249-300 Lisboa

Portugal

Tel: +351 21 001 28 34

E-mail: [ir@edp.com](mailto:ir@edp.com)

## SUSTAINABILITY

E-mail: [sustentabilidade@edp.pt](mailto:sustentabilidade@edp.pt)

## STAKEHOLDERS

### DRIS — Direcção de Relações Institucionais e Stakeholders

Av. 24 de Julho, 12

1249-300 Lisboa

Portugal

E-mail: [stakeholders@edp.pt](mailto:stakeholders@edp.pt)

### Publication

EDP - Energias de Portugal, S.A.

Direcção de Sustentabilidade

Av. 24 de Julho, 12

1249-300 Lisboa

Portugal

### Concept

TTouch

[ttouch.pt](http://ttouch.pt)

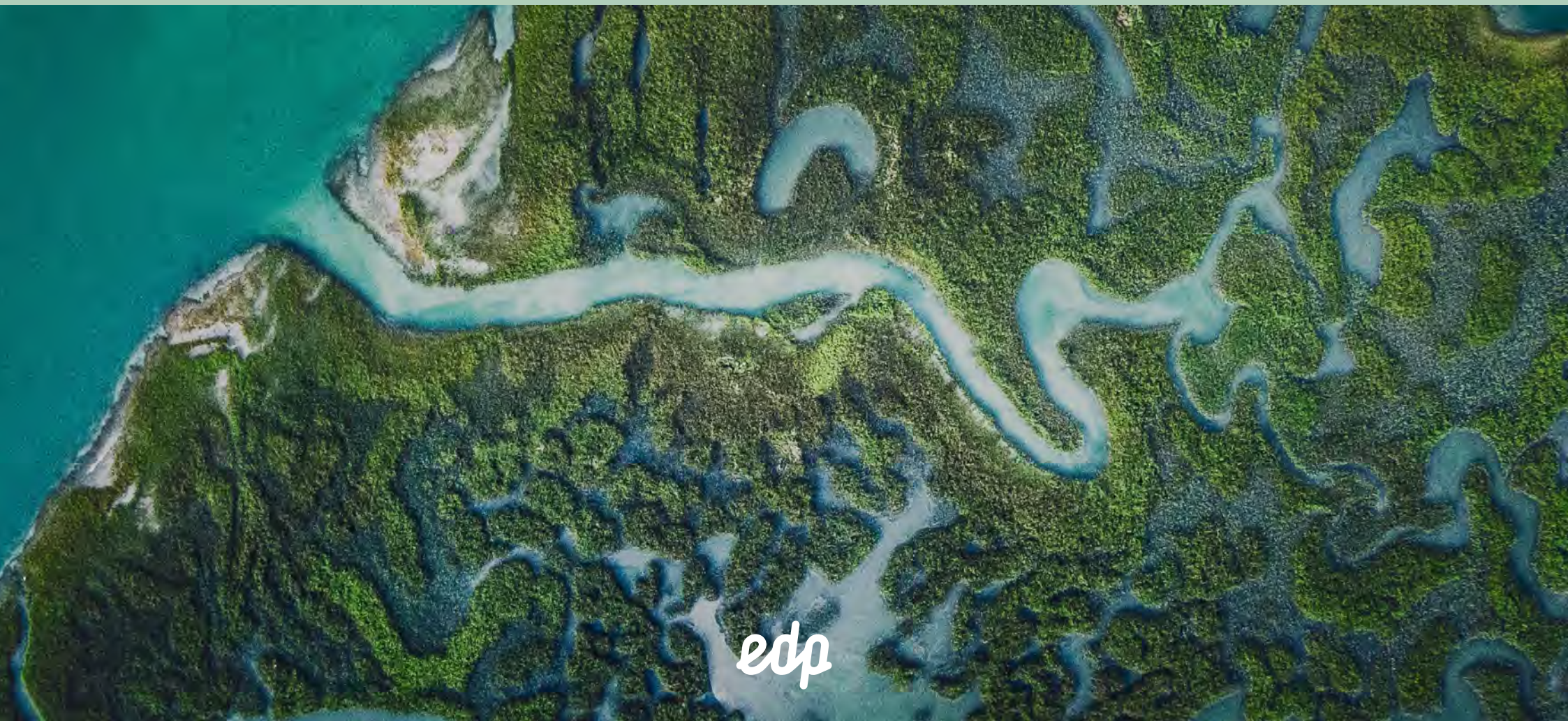
### Pagination

EDP - Energias de Portugal, S.A.

Direcção de Sustentabilidade

Março 2022





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