

EDP España, SAU

Management Report

Appendix- Non-financial information 2020

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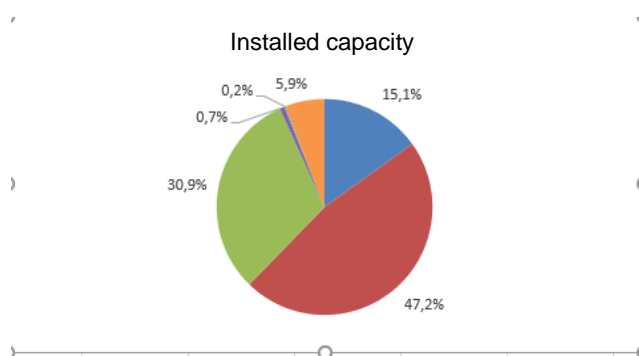
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1 Business model

EDP España is the Spanish group of the Portuguese multinational EDP, world energy leader and one of the main operators in the Iberian Peninsula, present in 19 countries and 4 continents. EDP has 12,180 employees, out of which 1,512 belong to the EDP España group, and it is present in the entire electricity value chain and in the gas retail activity.

1.- Production: Electricity is generated from renewable or non-renewable energy sources. The energy produced through traditional sources comes mostly from coal, natural gas, nuclear energy and cogeneration. In the case of renewable sources, it comes essentially from the water, the wind and the sun. The energy produced is sold to the wholesale market. The EDP España group has 2,801 MW of installed capacity (3,667 in 2019), and during 2020, it has generated 8,484 net GWh (9,685 in 2019). In 2020, the Castejón combined-cycle plant has been transferred to Total. Investments in centralised wind and solar energy generation are made through EDP Renovables.

Hydraulic	15.1%
Coal	47.2%
Natural gas	30.9%
Waste	0.7%
Cogeneration	0.2%
Nuclear	5.9%



2.- In the transmission activity, the owners of the grids allow the passage of the produced energy. The energy transmission grids are comprised by high-voltage power lines which subsequently channel energy to the distribution grids. EDP España has no transmission assets. In Spain, the transmission activity is carried out by Red Eléctrica de España (REE).

3.- In the distribution activity, the owners of the grids allow energy to be channelled to the supply points. The electricity distribution grids are comprised by high-, medium- and low-voltage lines. Substations and transformation centres are also an integral part of the distribution activity. EDP España has acquired in 2020 the distribution assets of Viesgo and Begasa, doubling its business. EDP has, as at 31 December 2020, 52,415 km of lines (20,768 in 2019) and during 2020, it has distributed 7,501 GWh (8,262 in 2019). It has 1,370,924 electricity supply points (668,494 in 2019).

4.- Retail: The retail activity includes the purchase of energy in the wholesale market, the payment of tolls or access tariffs for using transmission and distribution grids, and the sale of electricity and gas to the end consumer. It has 1,139,005 electricity customers (1,166,182 in 2019) and 898,000 gas customers (903,181 in 2019).

2. Stakeholders

The management of stakeholders is a priority for EDP, which aims to maintain a close and transparent dialogue with all those to whom it relates, playing an increasingly relevant role for the business. Building and strengthening relations of trust, sharing significant expertise and information, anticipating challenges and identifying new opportunities for cooperation with the stakeholders are the main goals of the EDP's Policy on the Relationship with Stakeholders.

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The management of stakeholders is an exercise in exigency and transparency by companies in their relationship with society and, in particular, with all those that have an impact on or are impacted by their activities. EDP identified this challenge several years ago, and it has created clear methodologies and operating tools to systematise the relationship of the Group with its stakeholders in all its activities and projects, regardless of their geographical scope.

Thanks to the continuous improvement in this sphere, EDP has been internationally recognised, obtaining the maximum score as regards its commitment to stakeholders in the Dow Jones Sustainability Index in the last three years.

The bases of the Relationship Policy are:

TO UNDERSTAND

Include, identify, prioritise

- We dynamically and systematically identify the stakeholders that influence and are influenced by EDP.
- We analyse and try to understand the stakeholders' expectations and interests in the decisions that directly affect them.

TO COMMUNICATE

Inform, listen, reply

- We commit to promote a two-way dialogue with stakeholders, through information and consultation actions.
- We listen, inform and reply to our stakeholders in a consistent, clear, rigorous and transparent way, with the aim of forging close, solid and lasting relationships.

TO TRUST

Transparency, integrity, respect, ethics

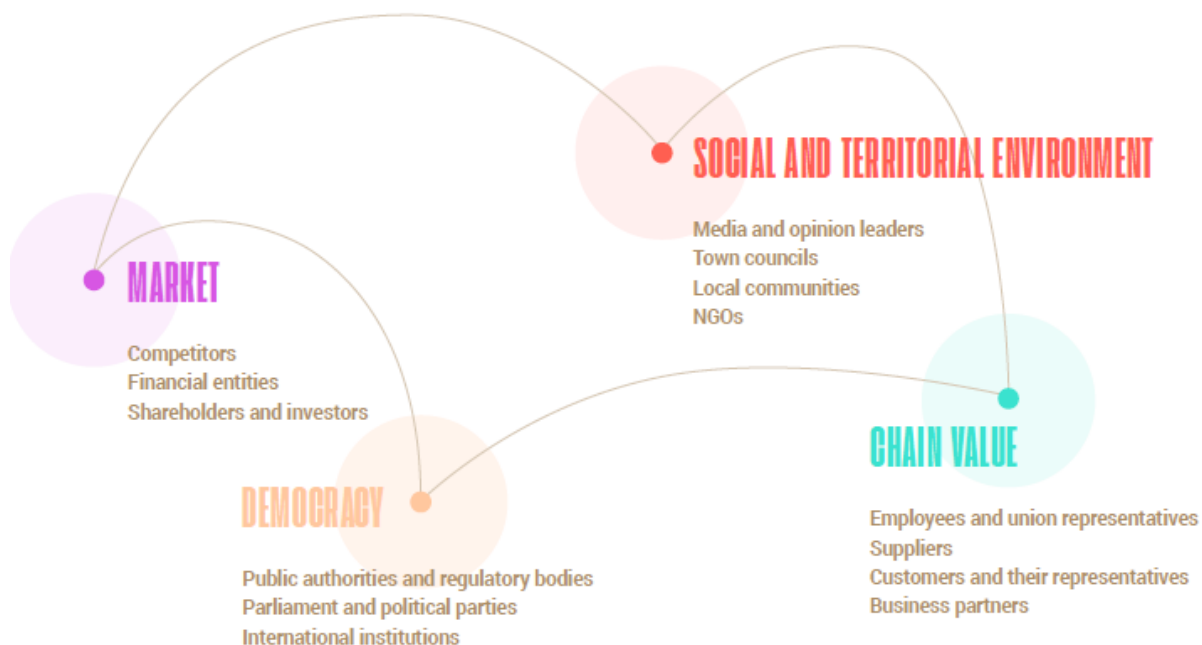
- We believe that fostering an environment of trust with our stakeholders is crucial to establish steady long-term relationships.
- Our relationship with our stakeholders is based on values such as transparency, integrity and mutual respect.

TO COLLABORATE

Integrate, share, cooperate, inform

- We aspire to collaborate with our stakeholders in the creation of strategic joint alliances and to share knowledge, skills and tools, thus promoting the creation of shared value in a distinguishing way.

The segmentation of the stakeholders is as follows:



3. Materiality

In 2020, 21 categories grouping 60 topics were identified, compared to the 55 identified in 2019.

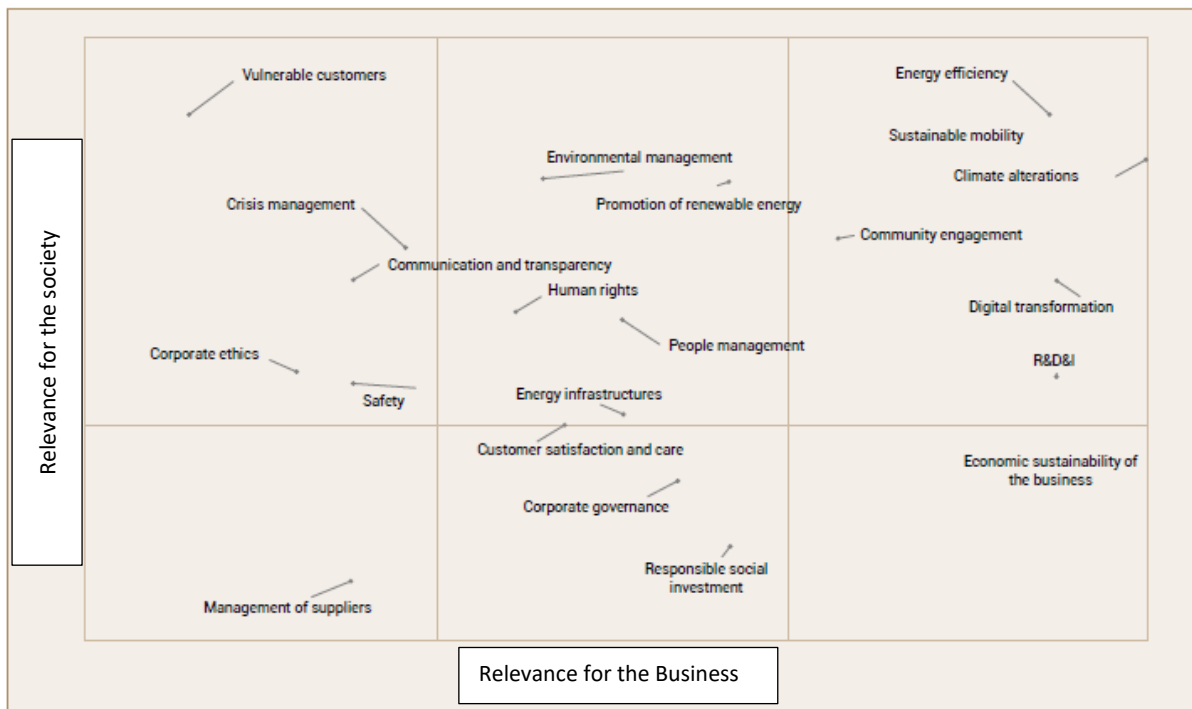
The most relevant categories in 2020, on an external level, have been:

	2020
Sustainable mobility	93%
Energy efficiency	93%
Vulnerable customers	93%
Climate alterations	89%
Promotion of renewable energies	86%
Environmental management	86%




The most relevant categories in 2020, on an internal level, have been:

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	2020
Climate alterations	100%
Sustainable mobility	90%
Energy efficiency	90%
Digital transformation	90%
R&D	90%
Business sustainability	90%



The matrix is obtained from the analysis of internal and external relevance. It is divided in 9 sections that represent the materiality level in each category. The materiality level is determined by the degree of relevance of each line.

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

6. Indicators and policies

The most important policies of EDP España with regard to the sustainability indicators are:

- The environmental policy
- The sustainable development principles
- The policy on the relationship with stakeholders
- The quality policy
- The policy on occupational health & safety management
- The training policy

They may be checked on the website: <https://www.edp.com/es/sostenibilidad>

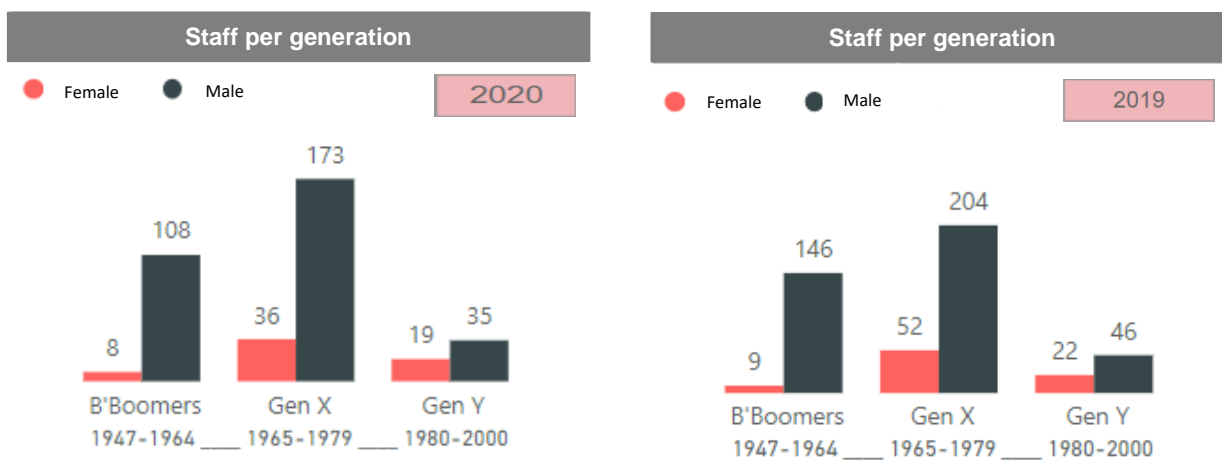
The indicators completing the non-financial information reported by the EDP group are described below.

Distribution of the staff per generation

EDP España, S.A.U. has, as at 31/12/2020, a staff of 379 employees, compared to the 479 as at 31/12/2019. Aware of the importance of gender diversity, it promotes, through its Human Resources policies and practices, the effective protection of female talent recruitment. Its commitment can be noticed in the progress of female presence in the younger generations, going from 32.35% in 2019 to 35.19% in 2020 in generation Y. Therefore, it meets the provision contained in the 3rd Bargaining Agreement of the EDP España Group

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(https://www.boe.es/diario_boe/txt.php?id=BOE-A-2019-3373) in its article 82 – Positive action to promote female employment.



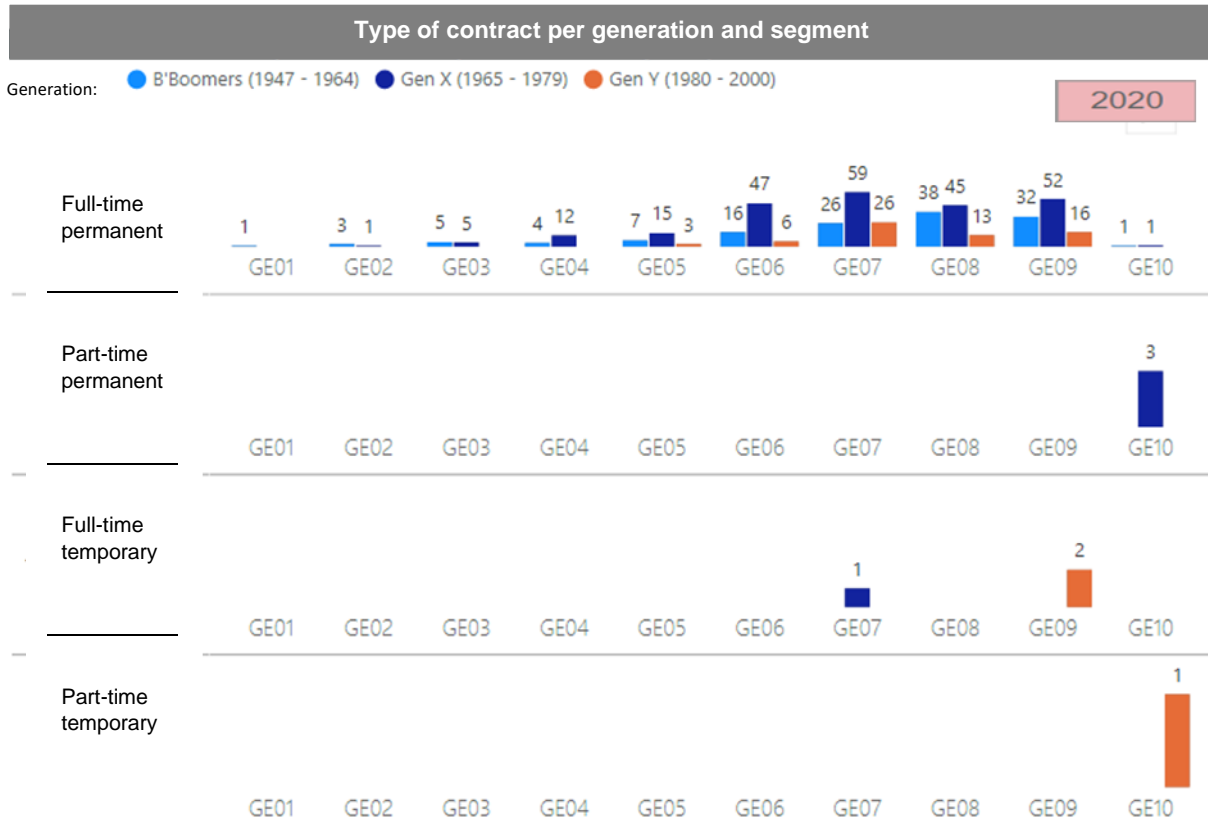
There is a decrease in the staff between 2020 and 2019 due to the transfer of the Castejón combined-cycle plant to the oil company Total and of some employees assigned to structure areas.

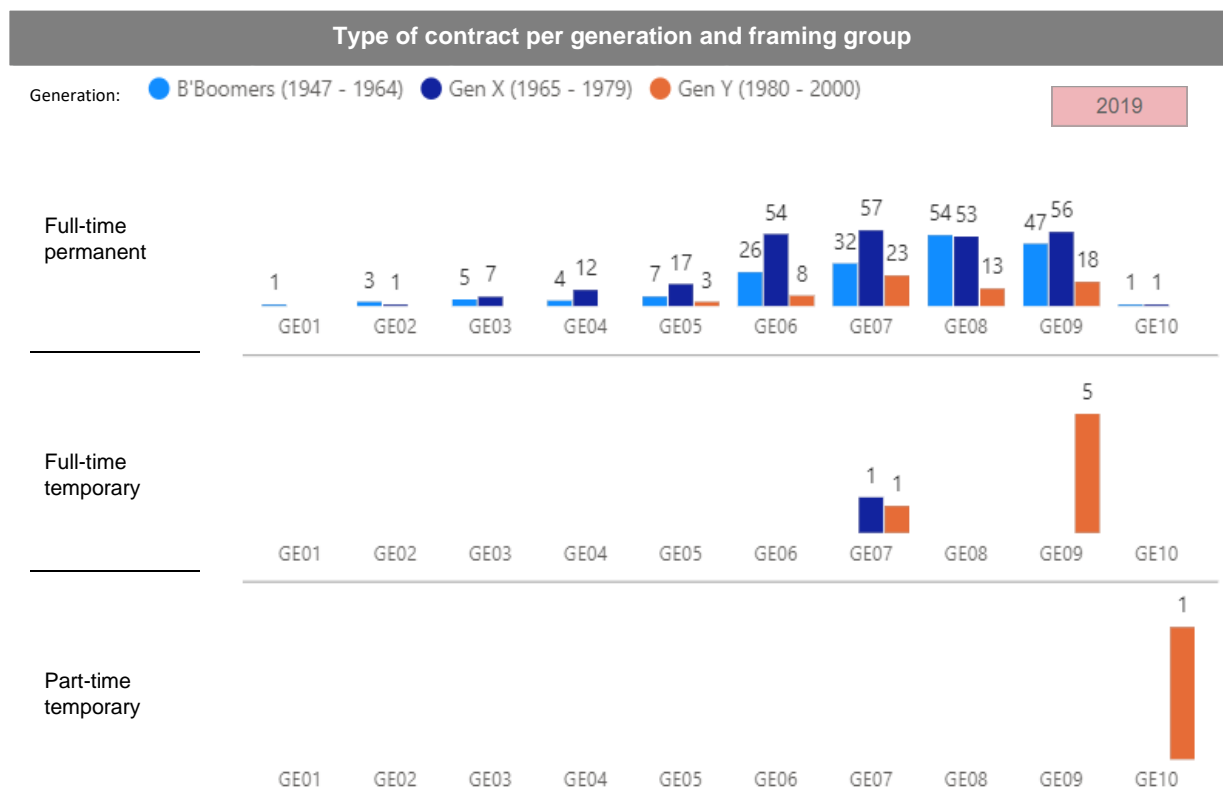
Annual average of indefinite, temporary and part-time contracts per age and professional classification

EDP España, S.A.U is committed to stability in its recruitments and thus, more than 99% of its employment contracts are full-time and of an indefinite duration, not existing part-time indefinite contracts.

EDP España, SAU has adopted a system for the professional classification of employees based on professional groups (GE), each of which take in the professional skills, qualifications and general content of the service, and it may include different tasks, duties, professional specialisations or responsibilities assigned to the employee.

Professional Group	
GE1	
GE2	Executives
GE3	
GE4	Managers
GE5	
GE6	Specialists
GE7	
GE8	Support, operational and
GE9	administrative technicians
GE10	





This stability in contracting is combined with the flexible hours offered by EDP España, S.A.U in order to achieve a real work-family life balance.

No. of hours of absenteeism

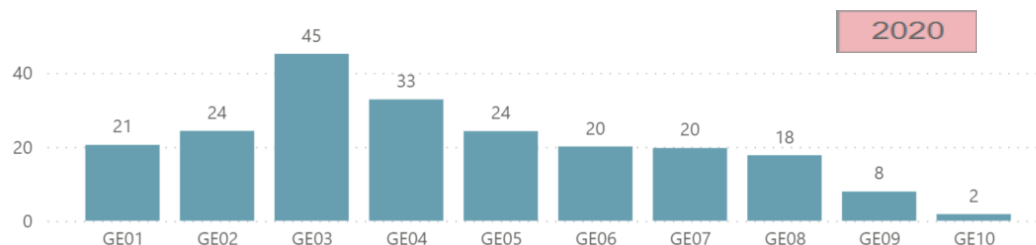
YEAR	Hours of absenteeism
2020	32,744.70
2019	43,152.51

No. of hours of training per professional classification

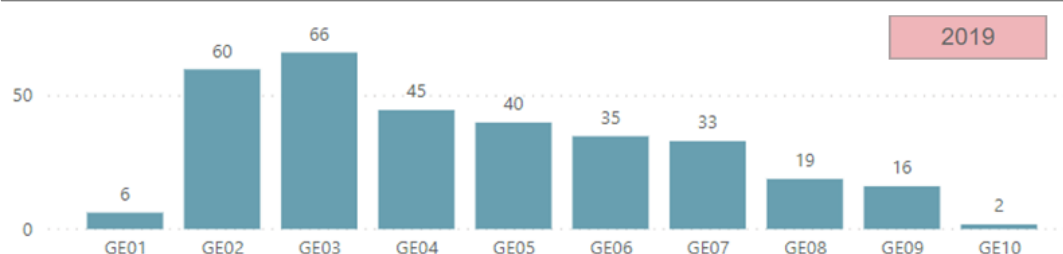
In an atypical context such as year 2020, there has been a decrease in the global number of hours of training taught. Logically, this fact has been reflected in the number of hours of training per framing group. In order to protect the health of our employees, exclusively face-to-face courses were suspended or postponed, promoting virtual/online training actions with more appropriate conditions in terms of duration and participants as compared to those of the original face-to-face format.

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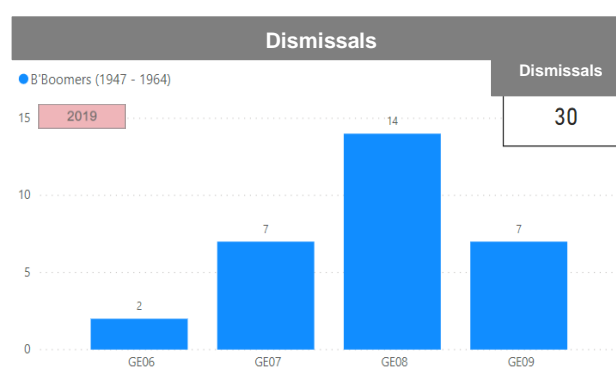
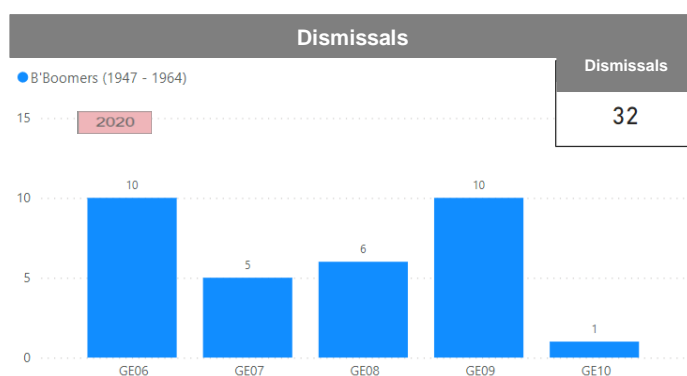
Average hours of training per framing group



Average hours of training per framing group



No. of dismissals per professional category

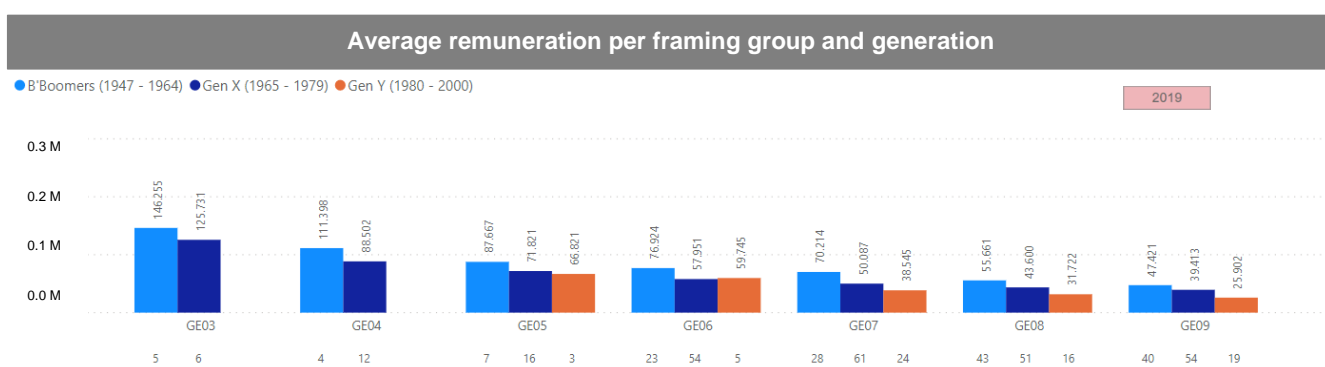
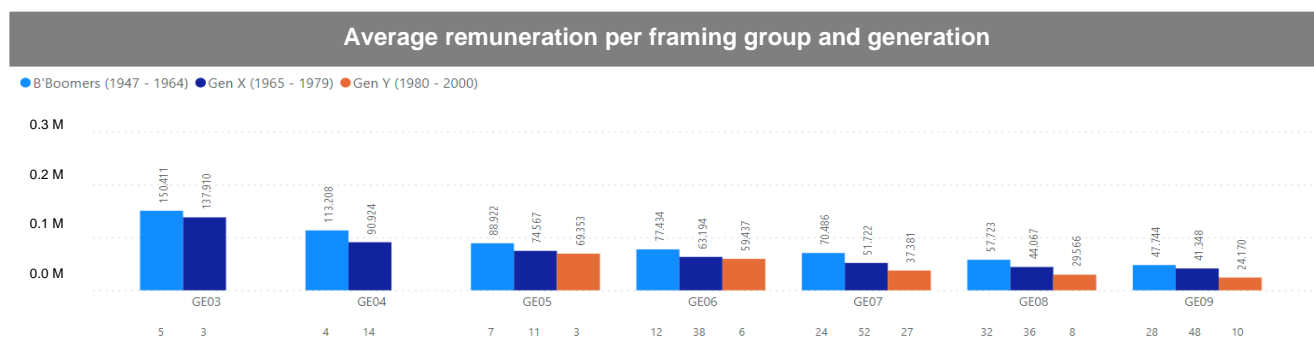


Average remunerations and their development per age and professional classification

For EDP España, S.A.U, the remuneration of the work is based on the skills, the performance and the dedication of the people that are part our organisation.

We believe that it is a continuous improvement road and, thus, the compensation and benefit system reflects our values and our culture.

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The data regarding GE1, GE2 and GE10 are not specified in order not to publicly disclose individualised details.

Pay gap among equal positions

As a principle, EDP España, S.A.U provides the non-existence of a pay gap under the 3rd bargaining agreement of the EDP España Group (https://www.boe.es/diario_boe/txt.php?id=BOE-A-2019-3373) in its article 76 – Equality Plans.

Despite the foregoing, there are salary differences resulted from historic remuneration items, associated with age, customs and practices of the energy sector or from the bargaining agreement in effect at the time of the recruitment, something that tends to disappear as the people from these groups reach the retirement age. In year 2019, the absolute pay gap, without taking into account same-category positions, was 14.54% and, in 2020, 14.99%.

Commitment to the society and to the local communities

Contributions made to foundations and non-profit organisations

On an annual basis, a contribution is made to the Foundation, which is approved by the Board of Directors:

Contribution approved in 2019 for 2020	€2,804,067
Contribution approved in 2020 for 2021	€2,809,567

Profits obtained by country and paid taxes on profits

The earnings after taxes entirely obtained in Spain are:

2020	€1,388,969,920
2019	€213,434,655

As a consequence of the Company's integration into the tax group of EDP Sucursal en España as regards the payment of the tax on profits, the Company made, in 2019, payments for an amount of 5,087,600 euros on the profits of 2018. In 2020, there was no payment of the corporate tax.

Aid received from the public administration

No relevant subsidies were received in 2020 or in 2019.

7. Goals




In March 2019, the EDP Group established the 2022 sustainability goals and 2030 ambition, which are a revision of the 2020 sustainability goals. In December 2020, the main lines of the new 2021-2025 Sustainability Plan were approved.

2030 ambition is organised around the ESG criteria and its three main lines – environmental, social and governance – on which EDP has been working for the past years, leading the energy transition involving carbon-neutral goals, 100% renewable generation, sustainable consumption, innovation and digital

transformation, just transition and mitigation of climate risks and resilience, with a positive impact on circular economy, natural capital, biodiversity, sustainable procurement and social policy and diversity.



ESG Outlook 2025-2030

		2020	2025	2030
 ENVIRONMENT	Revenues aligned with EU taxonomy (%)	58	~70	>80
	Scope 1 & 2 Emissions (gCO ₂ /kWh)	157	~100	0
	Renewables Generation (%)	74	~85	100
	Coal Installed Capacity (%)	8	0	0
	Total Waste (kt)	309	118	30
 SOCIAL	Employee Engagement (top tier company)	✓	✓	✓
	Female Overall (%)	25	30	35
	Accident frequency rate ¹	1.74	1.55	<1
	SDGs Social Investment (EUR Mn) ²	12.4	50	100
 GOVERNANCE	Female on Leadership (%)	25	30	35
	Top Management ESG & equity linked compensation ³	✓	✓✓	✓✓
	Cybersecurity (rating)	800	Keep advanced cybersecurity BitSight rating ⁴	
	Top quartile in ESG rating performance ⁵	✓	✓	✓

1. Number of work accidents per million hours worked (included employees and contractors); 2. Excluding 2020 onwards, values accumulated since 2021; 3. Applicable to Board of Directors and top management; changes in Board of Directors dependent of General Shareholders Meeting; 4. >= 740; 5. Includes DJSI, FTSE4Good, MSCI and Sustainalytics
 Note: Includes Veago's Feedcount

EDP España 2021-2025 Sustainability Plan

For the preparation of EDP España's Sustainability Plan, it has been considered EDP Group's 2021-2025 global strategy and 2030 ambition, as well as the topics identified as relevant for EDP España in the materiality study.

2021-2025 Sustainability Plan has been approved by the Board of Directors of EDP España Monographic meeting on Environmental Information as recorded in the minutes of 18 December 2020 and it includes the following initiatives:

1. Clean generation

Reduce the CO2 footprint (scope 1, 2 &3)

Revise the supply chain to reduce the footprint

Offset the emissions of EDP España's activities where it cannot be reduced

2. Sustainable consumption

Initiatives to improve customer satisfaction

Develop the energy efficiency plan in end customers

Develop the business plan for decentralised solar generation

Transfer the CO2 footprint to the customer and offsetting of CO2 emissions

Develop the mobility business plan

Management strategy for the light vehicle fleet

Promote the development of smart grids

3. Innovation and digital transformation

Develop the Innovation Plan

Promote digitisation among employees: training and awareness

Adapt the relationship with customers to the 'Digital customer'

Digitisation of the society: digital gap

4. Circular economy

Implement the circular economy Plan

Reduce water consumption

5. Natural capital

Reduce atmospheric emissions

Action Plans for biodiversity

Develop the Natural Capital Guide and prepare an action plan

6. Diversity and well-being

Implement the diversity policy on the EDP Group in Spain

Promote transparency as regards equality

Initiatives to improve the employees' engagement

Implementation of the Safety Culture Plan and promotion of the preventive performance measure

Design and implement an emotional health plan

Incorporate the new ways of working/teleworking

7. Sustainable procurement

Incorporate Sustainability into procurement: training and monitoring

Develop the supplier's voice: monitor channels and implement the resulting actions

8. Inclusive society

Develop the action plan with local communities

Extend the presence of business expansion in local communities

Implement the Just Transition Plan and support the economic activity and local employment

Develop the Plan of the EDP España Foundation

Align the volunteering actions with the social investment policy of the EDP Group

9. Adaptation and resilience

Implement the climate change adaptation plan

10. Recognition of Sustainability

Spread the Sustainability Plan on an internal and external level

Measure the direct and indirect impact of the actions on Sustainability

Improve the recognition of EDP España as regards ESG values

Revise EDP's positioning vis-à-vis sustainable brands and greenwashing risk

Include EDP's positioning in sustainability in the commercial process

8. GRI chart

EDP ESPAÑA 2020 GRI CHART

Information required by the Law on Non-Financial Information	Connection to GRI indicators
General information	
Business model	
Brief description of the group's business model (business environment and organisation)	102-2 Activities, trade marks, products and services 102-7 Size of the organisation
Geographical presence	102-3 Location of the head office
	102-4 Location of the operations
	102-6 Markets served
Goals and strategies of the organisation	-
Main factors and trends that may affect its future development	102-15 Main impacts, risks and opportunities
Detailed information	
Employment	
Total number and distribution of employees considering criteria representing diversity (gender, age, country, etc.)	102-8 Information about employees and other workers 405-1 Diversity in governing bodies and employees
Total number and distribution of employment contract types, annual average of indefinite contracts, temporary contracts and part-time contracts per gender, age and professional classification	102-8 Information about employees and other workers
Number of dismissals per age and professional classification	401-1 New recruitments of employees and rotation of staff
Average remunerations and their development categorised by gender, age and professional classification or equivalent value	102-38 Ratio of total annual compensation
	102-39 Ratio of the percentage increase in the total annual compensation

Information required by the Law on Non-Financial Information	Connection to GRI indicators
Pay gap, remuneration of equal positions or average remuneration of the company	405-2 Ratio of the base salary and remuneration of women vis-à-vis men
Work's organisation	
Number of hours of absenteeism	403-2 Types of accidents and accident frequency rate, occupational diseases, days missed, absenteeism and number of deaths by occupational accident or disease
Training	
The total hours of training per professional category	404-1 Average hours of training per year per employee
Detailed information	
Company's commitments to sustainable development	
The impact of the company's activity on employment and local development	204-1 Proportion of expenditure in local suppliers
The impact of the company's activity on local populations and the territory	413-1 Operations involving the participation of the local community, impact assessments and development programmes