

0. STATEMENT OF COMPLIANCE

0.1 CORPORATE GOVERNANCE CODE

EDP Renováveis, S.A. (hereinafter referred to as EDP Renováveis, EDPR or the Company) is a Spanish company listed in a regulated stock exchange in Portugal. EDP Renováveis' corporate organization is subject to its personal law and to the extend applicable to the recommendations contained in the Portuguese Corporate Governance Code, ("Código de Governo das Sociedades") approved by the Comissão do Mercado de Valores Mobiliários (CMVM) (Portuguese Securities Market Commission) in January 2010. This governance code is available to the public at CMVM website (www.cmvm.pt).

The organization and functioning of EDPR corporate governance model is designed to achieve the highest standards of corporate governance, business conduct and ethics referenced on the best national and international practices in corporate governance.

In this context, EDPR states that it has adopted the CMVM recommendations on the governance of listed companies provided in the Portuguese Corporate Governance Code, with the exceptions indicated below.

The following table shows the CMVM recommendations set forth in the code and indicates whether or not they have been fully adopted by EDPR and the place in this report in which they are described in more detail.

0.2 STATEMENT OF COMPLIANCE (CMVM RECOMMENDATIONS)

STATEMENT OF COMPLIANCE

Recommendation	Adoption information	Description in Report
I. GENERAL SHAREHOLDERS' MEETING		
I.1 General Shareholders' Meeting Board		
I.1.1 The Presiding of the Board of the General Shareholders' Meeting shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Adopted	Chapter I.1
I.1.2 The remuneration of the Presiding Board of the General Shareholders' Meeting shall be disclosed in the Annual Report on Corporate Governance.	Adopted	Chapter I.3
I.2 Participation at the meeting		
I.2.1 The requirement for the Board to receive statements for share deposit or blocking for participation at the General Shareholders' Meeting shall not exceed 5 working days.	Adopted	Chapter I.4
I.2.2 Should the General Shareholders' Meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then prepare itself in advance as required for the first session.	Adopted	Chapter I.5
I.3 Voting and Exercising Voting rights		
I.3.1 Companies shall not impose any statutory restriction on postal voting and whenever adopted or admissible, on electronic voting.	Adopted	Chapter I.9
I.3.2 The statutory deadline for receiving early voting ballots by mail, may not exceed three working days.	Adopted	Chapter I.11
I.3.3 Companies shall ensure the level of voting rights and the shareholder's participation is proportional, ideally through the statutory provision that obliges the one share-one vote principal. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	Adopted	Chapter I.6
I.4 Resolution Fixing-Quorum		
I.4.1 Companies shall not set a resolution-fixing quorum that outnumbers what is prescribed by law.	Adopted	Chapter I.8
I.5 Minutes and Information on Resolutions Passed		
I.5.1 Extracts from the minutes of the General Shareholders' Meetings or documents with corresponding content must be made available to shareholders on the company's website within five days period after the General Shareholders' Meeting has been held, irrespective of the fact that such information may not be classified as material information. The information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on file on the company's website for no less than 3 year period.	Adopted	Chapter I.13 and I.14
I.6 Measures on Corporate Control		
I.6.1 Measures aimed at preventing successful takeover bids, shall respect both company's and the shareholders' interests. The company's articles of association that by complying with said principal provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	Adopted	Chapter I.7 and I.19
I.6.2 In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary performance assessment by the shareholders of the members of the Board of Directors.	Adopted	Chapter I.20

STATEMENT OF COMPLIANCE

Recommendation	Adoption information	Description in Report
II. BOARD OF DIRECTORS AND SUPERVISORY BOARD		
II.1 General Chapters		
II.1.1 Structure and Duties		
II.1.1.1 The Board of Directors shall assess the adopted model in its Annual Report on Corporate Governance and pin-chapter possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	Adopted	Chapter 0.1 and II.3-A
II.1.1.2 Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regards risk assumption; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyze and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and of risk warning; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.	Adopted	Chapter II.5
II.1.1.3 The Board of Directors shall ensure the establishment and functioning of the internal control and risk management systems. The Supervisory Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment to the company's needs.	Adopted	Chapter II.6
II.1.1.4 The companies shall: i) identify the main economic, financial and legal risk that the company is exposed to during the exercise of its activity; ii) describe the performance and efficiency of the risk management system, in its Annual Report on Corporate Governance.	Adopted	Chapter II.9
II.1.1.5 The Board of Directors and the Supervisory Board shall establish internal regulations and shall have these disclosed on the company's website.	Adopted	Chapter II.7
II.1.2 Governance Incompatibility and Independence		
II.1.2.1 The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.	Adopted	Chapter II.14
II.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Board of Directors.	Adopted	Chapter II.15
II.1.2.3 The independence assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independence requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independency criteria to all the company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable rules, may not be an independent executive member.	Adopted	Chapter II.15
II.1.3 Eligibility and Nominations Criteria		
II.1.3.1 Depending on the applicable model, the Chair of the Supervisory Board and of the Auditing and Financial Matters Committees shall be independent and adequately competent to carry out his/her duties.	Adopted	Chapter II.1 and II.3-C
II.1.3.2 The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Adopted	Chapter II.16
II.1.4 Policy on the Reporting of Irregularities		
II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company are reported. Such reports shall contain the following information: i) the means by which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Adopted	Chapter II.35
II.1.4.2 The general guidelines on this policy shall be disclosed in the Annual Report of Corporate Governance.	Adopted	Chapter II.35
II.1.5 Remuneration		
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. Furthermore, the remuneration shall be based on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows: i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity. ii) The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components. iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's steady positive performance during said period; iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company; v) The Executive Directors shall hold, up to twice the value of the total annual remuneration, the company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares; vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years; vii) The appropriate legal instruments shall be established so that in the event of a Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director's inadequate performance. viii) The remuneration of Non-Executive Directors shall not include any component the value of which is subject to the performance or the value of the company.	Adopted	Chapter II.30, II.31, II.32 and II.33

STATEMENT OF COMPLIANCE

Recommendation	Adoption information	Description in Report
II.1.5.2 A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of June 19 th , shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration; ii) the payments for the dismissal or termination by agreement of the Director's duties.	Adopted	Chapter II.30 and II.32
II.1.5.3 The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the Director's remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.	Adopted	Chapter II.29 and II.30
II.1.5.4 A proposal shall be submitted at the General Shareholders' Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share process, to members of the Board of Directors and Supervisory Board and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the Board of Directors and Supervisory Board and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Shareholders' Meeting.	Adopted	Chapter II.32
II.1.5.5 Left in blank	-	
II.1.5.6 At least one of the Remuneration Committee's representatives shall be present at the Annual General Shareholders' Meeting for Shareholders.	Adopted	Chapter I.15
II.1.5.7 The amount of remuneration received, as a whole and individually, in other companies of the group and the pension rights acquired during the financial year in question shall be disclosed in the Annual Report on Corporate Governance.	Adopted	Chapter II.31 and II.32
II.2 Board of Directors		
II.2.1 Within the limits established by law for each management and supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties shall be identified in the Annual Corporate Governance Report.	Adopted	Chapter II.3-A
II.2.2 The Board of Directors must ensure that the company acts in accordance with its goals and shall not delegate its duties, namely in what concerns: i) the definition of the company's general strategy and policies; ii) the definition of the group's corporate structure; iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	Not Adopted	-
	(“Under Spanish Law, the matters referred to in this recommendation can be delegated by the Board of Directors on the Executive Committee. It is common practice in Spanish listed companies for the delegation of powers to be far-reaching, with the exception of matters related to the preparation of accounts. Nevertheless, the Executive Committee always informs the Board of Directors of all the strategic decisions or relevant structure changes.”)	
II.2.3 Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the Corporate Governance Report.	Not Applicable	Chapter II.8
II.2.4 The annual management report shall include a description of the activity carried out by the Non-Executive Directors and shall mention any restraints encountered.	Adopted	Chapter II.17
II.2.5 The company shall expound its policy of portfolio rotation on the Board of Directors, including the person responsible for the financial portfolio, and report on same in the Annual Corporate Governance Report.	Not Applicable	Chapter II.11
II.3 CEO, Executive Committee and Executive Board of Directors		
II.3.1 When managing Directors that carry out executive duties are requested by other Directors to supply information, the former must do so in a timely manner and the information supplied must adequately suffice the request made.	Adopted	Chapter II.3-A
II.3.2 The Chair of the Executive Committee shall send the convening notice and minutes of the meetings to the Chair of the Board of Directors and, as applicable, to the Chair of the Supervisory Board or the Auditing Committee, respectively.	Adopted	Chapter II.3-A
II.3.3 The Chair of the Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and the Chair of the Financial Matters Committee.	Not applicable	-
II.4 General and Supervisory Board, Financial Matters Committee, Audit Committee and Supervisory Board		
II.4.1 Besides carrying out its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out an on-going assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) the definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	Not applicable	-
II.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Auditing and Supervisory Committee must be disclosed on the company's website.	Adopted	Chapter II.4 and III.15
II.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Supervisory Board must include a description on the supervisory activity and shall mention any restraints that they may have come up against.	Adopted	Chapter II.4 and III.15
II.4.4 The General and Supervisory Board, the Auditing Committee and the Supervisory Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being liaison offer between the company and the first recipient of the reports.	Adopted	Chapter II.24
II.4.5 According to the applicable model, the General and Supervisory Board, Audit Committee and Supervisory Board shall assess the external auditor on an annual basis and advise the General Shareholders' Meeting that he/ she be discharged whenever justifiable grounds are present.	Adopted	Chapter II.24

STATEMENT OF COMPLIANCE

Recommendation	Adoption information	Description in Report
II.4.6 The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent Director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Adopted	Chapter II.5 and II.6
II.5 Special Committees		
II.5.1 Unless the company is of reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Director's performance is carried out, as well as its own overall performance and further yet, the performance of all existing committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvements; iii) in due time identify potential candidates with the high profile required for the performance of Director's duties.	Adopted	Chapter II.2 and II.3 D.
II.5.2 Members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Not applicable ("The members of the Nominations and Remunerations Committee are members of the Board of Directors. However, its members are considered independent members and do not therefore belong to the Executive Committee. In accordance with Articles 23 and 217 of the Spanish Companies Law, the remuneration scheme for Directors should be fixed in the articles of association. It is normal practice in Spanish companies for this remuneration to be decided upon by the General Shareholders' Meeting and for its allocation to the different members of the Board of Directors to be decided on by the Board itself.")	Chapter II.2 and II.38
II.5.3 Any natural or legal person which provides or has provided, over the past three years, services to any structure subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration Committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.	Adopted	Chapter II.39
II.5.4 All the Committees shall draw up minutes of the meetings held.	Adopted	Chapter II.37

III. INFORMATION AND AUDITING

III.1 General Disclosure Obligations

III.1.1 Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit.	Adopted	Chapter III.16
III.1.2 The following information that is made available on the company's Internet website shall be disclosed in the English language: a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Portuguese Commercial Companies Code; b) Articles of Association; c) Credentials of the Members of the Board of Directors and the Market Liaison Officer; d) Investor Relations Office, its functions and contact information; e) Financial statements; f) Half-yearly calendar of company events; g) Proposals submitted for discussion and voting at General Shareholders' Meetings; h) Invitation to General Shareholders' Meetings.	Adopted	Chapter III.16
III.1.3. Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion for the Supervisory Board to formally consider the conditions of auditor independence and the benefits and costs of replacement.	Adopted	Chapter III.18
III.1.4. The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Supervisory Board.	Adopted	Chapter II.3-C and III.17
III.1.5. The company shall not recruit the external auditor for services other than audit services, nor any entity with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the value of services rendered to the company. The hiring of these services must be approved by the Supervisory Board and must be expounded in the Annual Corporate Governance Report.	Adopted	Chapter III.17

IV. CONFLICTS OF INTEREST

IV.1 Shareholder Relationship

IV.1.1 Where deals are concluded between the company and shareholders with qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.	Adopted	Chapter III.12
IV.1.2 Where deals of significant importance are undertaken with holders of qualifying holdings, or entities, with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Supervisory Board. The procedures and criteria required to define the relevant level of significance of these deals and other conditions shall be established by the Supervisory Board.	Adopted (According to the Spanish law and the governance structure, these functions were delegated by the Board of Directors to the Related-Party Transactions Committee)	Chapter III.13

0.3 GLOBAL ASSESSMENT OF THE ADOPTION OF CMVM RECOMMENDATIONS'

During 2012, EDPR has continued its consolidation task as to the Company's governance principles and practices This is in line with the principle regulatory developments that occurred in 2010, particularly the modifications to the Portuguese Companies Code and the Portuguese Securities Code aimed at transposing the so-called Shareholders' Rights Directive, as well as the entry into force of CMVM Regulation no. 1/2010 and the CMVM Recommendations on Listed Companies Governance in its version published in January 2010.

The high level of compliance with the best governance practices by EDPR was recognised by an independent study developed in 2012 by the Universidade Católica Portuguesa (Portuguese Catholic University) at the request of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado (Portuguese Listed Companies Association), within which the Company was given the maximum rating – AAA – based on the Company's 2011 Governance Report and compliance with the abovementioned CMVM Recommendations.

Also in order to comply with the Recommendation II.1.1.1 of the Portuguese Corporate Governance Code, and according to the results of the reflection made by the Audit and Control Committee regarding the terms of the Recommendation II.5.1 part ii), the governance model that was adopted has been ensuring an effective performance and articulation of EDPR Social Bodies and proved to be adequate to the company's governance structure without any constraints to the performance of its checks and balances system adopted to justify the changes made in the Governance practices of EDPR.

0.4 ANALYSIS OF DEVIATIONS REGARDING CMVM RECOMMENDATIONS

The explanation of CMVM's recommendations that EDPR does not adopt or that the Company deems not applicable, reasoning and other relevant comments as well as reference to the part of the report where the description may be found, are in the previous table.