

Voluntary Principles on Security and Human Rights Galp Energia 2017 Annual Report

1. Introduction

Galp is an integrated energy player that develops profitable and sustainable businesses, aiming to create value for its stakeholders; with a mission to create energy, and share the energy created globally. Galp's activities are located mainly in 12 countries - Portugal, Spain, Brazil, Angola, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, East Timor, São Tomé and Príncipe and Namibia.

Galp joined the Voluntary Principles on Security and Human Rights (VPs) in October 2016. Since then, the company has been working diligently towards finding ways in which to promote and integrate the VPs across its operations and business functions. This report details Galp's implementation of the VPs over the course of 2017, as well as the next steps moving into 2018.

2. Commitment to the Voluntary Principles

As stated in the company's Human Rights Policy, "Given the challenges faced in the many geographies where it operates, Galp undertakes the responsibility to respect, promote and enforce Human Rights within its stakeholders - employees, communities, suppliers, partners and customers - and adopt measures to prevent its operations from causing abuses or violations, directly or indirectly, as according to internationally recognized human rights."

Therefore, with its main aim being to respect internationally recognized human rights standards, Galp is committed to promoting these policies, particularly the ones corresponding with

- the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights); and
- the principles on the fundamental rights outlined in the core conventions of the International Labour Organisation (ILO).

As well as respecting the standards, Galp is committed to embedding human rights across all areas of its organisation. While Galp understands this as an ongoing process in ensuring its full implementation, it has made significant steps in leading this process. The Human Rights Policy, for example, is articulated in other internal policies such as: Code of Ethics; Corporate Responsibility Policy; Safety, Health and Environment Policy; Security Policy; Community Investment Policy; Human Resources Policy; Purchasing Policy; and Anti-Corruption Policy. All of Galp's most relevant codes and policies are publicly available at: <http://www.galpenergia.com/EN/sustainability/Our-approach/Paginas/Policies-and-codes.aspx>.

In terms of external communication and promotion of the VPs, Galp will be including its commitment and progress related to the VPs in its 2017 annual report. The annual report will be available in April, and accessible on the company's website. Additionally, Galp's commitment to the VPs was highlighted through social media, where Galp expressed, Human dignity and equality are fundamental values for Society. At Galp, we took on the responsibility of respecting, promoting, and enforcing Human Rights within our

operations and with our stakeholders. This effort is the reason why we were admitted to the Voluntary Principles Initiative as a member of the Corporate Pillar.”¹

3. Policies, Procedures, and Related Activities

Galp is committed to ensuring that its employees, business partners and contractors respect the human rights of employees, as well as communities across its operations.

Within the Human Rights Policy, Galp is to ensure respect for human rights in all of its security activities. This includes through adequate scrutiny of security professionals during hiring and contracting as well as providing training on security risks. – *For instance, in the recruitment phase, employers should rigorously follow security regulations that have been implemented when hiring new employees, as well as provide the appropriate training on security and the risks associated with them.*

Approximately 78% (over 5000 Galp employees) received training on sustainability issues, which included human rights. Additionally, there were several training sessions on how to implement the internal standard “Integration of health, safety, social and environmental requirements in Galp projects and assets lifecycle”. Consequently, an organisational learning tool has been developed on Galp’s Code of Ethics, which includes human rights and security, and will be delivered across the organisation in 2018.

The company’s Security Policy contains the commitment to protect its employees and assets, and to act responsibly in the different contexts in which it develops its activities. Moreover, Galp is committed to ensuring a dialogue with communities, governments and other entities on matters of security. The Security Policy also includes a commitment to providing the establishment of appropriate channels for internal and external information and to investigate all security incidents.

Galp has a hotline for reporting grievances through its Reporting of Irregularities Procedure (“Open Talk” Ethics Line); this includes incidents related to human rights by public/private security forces of Galp’s activities. The mechanism is managed by the organisation’s Ethics and Conduct Committee, which is an independent and impartial internal structure responsible for monitoring the implementation, and interpretation of the Code of Ethics and Conduct. The Committee is also responsible for receiving and processing grievances from the “Open Talk” Ethics Line, ensuring the strictest confidentiality in processing the information. Galp’s Audit Board is the governing body that oversees the functioning and implementation of the Code of Ethics and Conduct through the frequent and regular reporting from the Ethics and Conduct Committee.

New country entry or business ventures

In countries or areas where Galp has no previous experience, a “Country-Entry” review (leading to “Country-Entry Report”) is to be carried out, which includes identifying the issues and risks related to security. For those existing projects, Galp is to conduct the processes set out under their Health, Safety, Environmental and Social (HSE&S) Due Diligence, which include human rights.

Galp’s internal risk management system also includes issues related to human rights and security. For instance, when the company is looking to enter a new business venture and country, prior to entering the venture, a country assessment is conducted, paying

¹ Galp communication can be accessed through: <https://www.linkedin.com/feed/update/urn:li:activity:6347042123228991488/>

careful attention to the risks associated with security and human rights. For ongoing operations, quarterly monitoring assessments of their respective business partners and country of operations are conducted.

Projects

At the project level, requirements for the implementation of the VPs are included in Galp's HSE&S requirements established in the NT-R-008 Standard, Health, Safety, Social and Environmental Specific Requirements in Projects. Some examples of how human rights and security issues are included in the Standard are:

- Potential adverse human rights impacts in Galp's projects shall be identified and appropriate measures shall be taken to avoid, minimise and/or mitigate them.
- Galp shall integrate the management of human rights in Due Diligence process and HSE&S baseline conditions.
- Projects shall be vigilant to ensure that no company-related activity violates any human rights and, in the event of deviations, it must be ensured that remediation measures are implemented, and adequate actions are promoted.
- Employees with functions at critical locations on human rights issues shall be trained in order to know how to act in case of any critical situation related to these rights occurs.
- Ensure the assessment of security risks throughout the project's lifecycle.

Operation-wide activities

Galp is currently working on developing procedures to conduct security and human rights risk assessments across its operations. In order for Galp to better understand the human rights risks present in its operations, as well as to strengthen its performance in the ongoing prevention, detection and mitigation of human rights challenges, in 2017 it commissioned an assessment to:

- Evaluate the implications of the UN Guiding Principles on Business and Human Rights on its business (i.e. the extent to which company policies and procedures align with the UN Guiding Principles, the International Bill of Human Rights and ILO's Core Labour conventions); and
- Identify the human rights country context risks across 10 countries where Galp is present, namely, Angola, Brazil, Cabo Verde, Guinea-Bissau, Mozambique, Namibia, Portugal, São Tomé and Príncipe, Spain and Swaziland.

Both components led to recommendations on how the organisation can improve its internal management systems in order to ensure that human rights are taken into account. This includes understanding human rights issues related to working conditions, such as security risks related to the safety of employees as well as local communities through company security arrangements.

Findings also led to addressing gaps in policies and procedures, which Galp began to address in 2017 through various revisions of policies, and an action plan to develop and/or revise. Some examples include implementing grievance mechanisms that are accessible to affected communities; committing to providing remedy for impacts to human rights; and integrating security issues related to local communities into management systems.

The country human rights context review revealed a number of countries in which Galp is operating with significant human rights risks. The analysis was based not only on the

presence of human rights infringements, but the reported efficiency of the national law to prohibit such infringements and the government's endeavours to generally enforce these prohibitions in practice. Based on these findings, Galp will begin an operational-level human rights risks assessment in the highest risk countries, beginning first with Mozambique, which will be conducted in 2018. This will be seen as a pilot assessment for Galp, and the findings from this excursion will help pioneer other assessments in the other countries in which the organisation operates in. This study is viewed as primordial, as well as an opportunity for organisational learning in order to meet its responsibility in respecting human rights throughout its operations.

4. Country Implementation

In-country implementation of the VPs began in 2017, continuing through to 2018. Implementation began with a country human rights context review that was carried out in the countries where Galp has operations, this included: Angola, Brazil, Cabo Verde, Guinea-Bissau, Mozambique, Namibia, Portugal, São Tomé and Príncipe, Spain and Swaziland.

The country human rights review included human rights issues related to:

- Working Conditions: Child Labour, Forced Labour, Occupational Health & Safety, Trade unions, Working Hours and Wages; and
- Communities and Environment: Ethnic Minorities and Indigenous Peoples; Environment; Human Development; Life, Liberty and Security of Person; Rule of Law; Voice and Accountability; Land & Property Rights; Access to Information.

As a result of this review, a number of contextual human rights risks in the various countries of Galp operations were revealed. Mozambique, Guinea-Bissau and Swaziland were amongst the highest risk countries -all three countries' contexts were found to have significant high risks under the areas of working conditions and communities and environment. In particular, in the areas of life, liberty and security of person, rule of law, and voice and accountability. Based on the findings, breaches in the security levels, as well as adequate measures to implement human rights were highlighted, which has resulted in Galp carrying out an operational-level human rights risk assessment in the countries exhibiting these damaging characteristics across the organisation, first project beginning in Mozambique. This level of assessment will include a gap analysis of company procedures against the VPs.

5. Lessons and Issues

Lessons and Issues

The lessons and highlights from 2017 largely relate to the findings from the human rights analysis that was conducted in order to ensure that Galp meets its responsibility to respect human rights (in accordance with the UN Guiding Principles on Business and Human Rights on its business). These learnings included understanding how Galp can address the current gaps in its policies and procedures, and how it can ensure that in the future it avoids any human rights impacts throughout its operations. One example of this was integrating human rights due diligence into existing Galp procedures, which has been ongoing since 2017 through its HSE&S standard for projects. Moreover, the initial country human rights context review allowed for the prioritisation of countries with heightened human rights risks for further assessment at an operational level in 2018.

This will allow for Galp to work towards preventing potential human rights impacts associated with security arrangements, as well as improve its internal processes.

Next Steps for 2018 onwards

- Continue to address gaps in Galp's policies and procedures related to human rights and security.
- Pilot an operational-level human rights risk assessment in Mozambique, and thereafter conduct studies in the other prioritised countries. Assessment will lead to local action plans, and training to ensure alignment with human rights and the VPs.
- Development of a human rights learning platform for Galp employees that includes issues related to security.
- Deliver a training workshop on developing operational-grievance mechanisms for HSE Managers, which includes issues related to security and monitoring.
- Review Galp's Health and Safety company policies, procedures and standards in order to improve safety and security of all employees and installations. This will be informed by two initiatives:²
 - Safety culture evaluation: Galp recognises the importance of evaluating the company's culture in all its operational geographies. The last safety culture evaluation was performed in 2010, and in collaboration with DuPont and starting in January 2018, Galp will evaluate its safety culture using the Bradley Curve, which includes questions related to human rights, and the perception of safety of Galp employees.
 - Revision of the Galp's Process Safety manual: The study will be conducted conjunctly with the Energy Institute. Together, we will revise our manual to be in accordance with the Energy Institute's process safety management framework, which includes 20 core elements.

² Although these initiatives are more closely related to safety, security and human rights issues will be addressed in a high-level perspective.