

Voluntary Principles on Security and Human Rights Galp Energia 2018 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, Eswatini, 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 2018, as well as the next steps moving into 2019.

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: [Galp codes and policies](#).

In terms of external communication and promotion of the VPs, Galp will be including its commitment and progress related to the VPs in its 2018 annual report. The annual report will be available in March, and accessible on the company's website. At Galp, we took on the responsibility of respecting, promoting, and enforcing Human Rights within our operations and with our stakeholders.

During 2017, Galp participated in its first Voluntary Principles Plenary meeting in Washington DC and made public its Annual Report to the VPs.

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.*

Over 5200 Galp employees received training on sustainability issues during 2017 and 2018, which included human rights. Additionally, an organisational learning tool was developed on Galp's Code of Ethics, which includes human rights and security. Over 5000 Galp employees already completed this course during 2018.

In 2018, Galp also developed two workshops, in Portugal and Mozambique focusing on the grievance mechanism which discussed, among other matters, a framework approach to community consultation. This workshop was given to a specific group at Galp, who in the course of their work are or may be in contact with communities affected by human rights violations.

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. Galp's hotline for reporting irregularities is publicly available at: [Galp Reporting](#).

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 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

During 2018, Galp evaluated the company's safety culture in all its operational geographies, using the Bradley Curve, which includes questions related to human rights, and the perception of safety of Galp employees. The key improvement areas identified by this assessment was Leadership and Consequences (recognition for safety achievements and management of HSE deviations).

Galp continued the work, which started in 2017, 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, in partnership with Community Insights Group and the Danish Institute of Human Rights, Galp commissioned an assessment to evaluate the implications of the UN Guiding Principles on Business and Human Rights on its business. All policies were reviewed in order to identify to what extent the company's procedures were aligned with the UN Guiding Principles, the International Bill of Human Rights and ILO's Core Labour conventions. Consequently, the human rights country context risks were distinguished across 10 countries where Galp is present, namely, Angola, Brazil, Cabo Verde, Guinea-Bissau, Mozambique, Namibia, Portugal, São Tomé and Príncipe, Spain and Eswatini.

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.

In 2018, a country assessment in Mozambique was conducted. 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. An 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. The results of this study highlighted areas of improvement, and the conclusions drawn highlighted the importance of effective communication when it came to discussing issues related with human rights. This is to be discussed in the next section.

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 eSwatini 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.

Upon conclusion of the country assessment in Mozambique, gaps in the security levels were identified in the supply chain.

Across our supply chain, areas for improvement were identified in which clear communication is needed, specifically communication regarding human rights and the accessibility with the code of ethics line. Due to the fact that locally, our operations are dealt with by third parties and Galp has minimal to zero intervention on contractual obligations, the importance of influencing and monitoring decisions regarding worker's rights was shed to light. Consequently, measures have been identified across various corporate departments to mitigate the risks identified in the year of 2019.

Projects with an impact on local communities

During the course of 2018, there has been an development in projects in the areas of access to sustainable energy in Guinea-Bissau: FUMUKABA – a project that aims to promote the substitution of charcoal and firewood with butane gas in the preparation of food in 25,000 Guinean households; and Mozambique: ENERGIZA – a project that aims to provide solar energy in the provinces of Manica, Sofala and Cabo Delgado, impacting 6000 Mozambicans. More information on both projects is publicly available at:

- [Guinea-Bissau: FUMUKABA](#)
- [Mozambique: ENERGIZA](#)

For further information on other ongoing projects that Galp is involved consult here:

- [Galp Foundation](#)
- [Galp Energiser](#)

5. Lessons and Issues

Lessons and Issues

The lessons and highlights from 2018 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). The assessment in Mozambique reinforced the lessons learned from 2017, with a special focus on the gaps of security and communication. One example of this was the identification that a Human Rights campaign is necessary to communicate the importance of respect worker's rights and their human rights. This will allow Galp to work towards preventing potential human rights impacts associated with security arrangements, as well as improve its internal processes.

Next Steps for 2019 onwards

- Continue to address gaps in Galp's policies and procedures related to human rights and security.
- Assessment will lead to local action plans, and training to ensure alignment with human rights and the VPs.
- Upon conclusion of the Mozambique country assessment, it was identified that a Human Rights campaign was necessary to communicate the importance of respect worker's rights and their human rights. Therefore, a transversal campaign which can be showcased internally across all of Galp universe which reinforces the importance of the available ethics line and explains the concept of grievance mechanisms available will be communicated.
- A new country assessment is to be issued in 2019 for Brazil, as it was identified an area of strategic relevance to Galp, after Mozambique.
- Preparation of the training of the security forces in the Voluntary Principles on Security and Human rights:
 - Train security and safety managers of Galp as trainers on the VPs;
 - Preparation of the training guide to apply in Galp geographies.
- Development of a standard of security assessments, which includes the Voluntary Principles.
- 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 three initiatives:¹
 - Safety culture evaluation: Galp, in 2019, will continue the implementation of safety culture evaluation actions in all geographies:
 - Deliver a training in leadership;
 - Implementation of the Galp Safe Energy Rules and two standards: Recognition of safety achievements and Management of HSE deviations.
 - 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
 - Journey Management Plan: App implementation to manage the safety and security of travels.

¹ Although these initiatives are more closely related to safety, security and human rights issues will be addressed in a high-level perspective.

² This initiative was delayed one year.