



ENDESA 'S TAX STRATEGY

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Endesa, S.A. (Endesa) constantly upholds its commitments to correct governance, transparency and integrity which, along with the creation of value for shareholders and investors, form part of its approach to the management of its businesses and its corporate activities.

To that end, the Company has a solid policy framework that encompasses its values and principles in ethical matters, integrity and corporate responsibility, and establishes guidelines for the purpose of directing the activities of its collaborators, contributing to the construction of a strong ethical culture and one of compliance. The Code of Ethics and the Zero Tolerance of Corruption Plan represent the pillars of this culture, which are reinforced, among other things, by the Model of Penal Risk Prevention of Endesa. The Model is a system of internal management and control destined to prevent the perpetration of illicit behaviour within the business activities, including money laundering, from which a responsibility for the Company might derive, thereby complying with the provisions in the Penal Code in this matter.

Furthermore, in this context, compliance with the tax legislation in force at each moment forms part of the principles which inspire Endesa´ s corporate responsibility, with the taxes paid constituting one of its contributions to the economic and social development of the society in which it operates.

Therefore, attending to both the interests of the general public and the interests for an adequate management of the business which protects the reputational value of Endesa, the social interest and the interests of its shareholders, Endesa´ s tax strategy is governed by the following guidelines (which are also of application to its controlled entities):

- Compliance with tax legislation in force, adopting in every moment a reasonable interpretation of same and trying to avoid, deriving from such interpretation, inefficiencies and improper tax costs for Endesa.

Endesa considers that, in defence of the social interest and the interests of its shareholders, it is legitimate to defend Endesa´ s reasonable interpretation of the law in the case of interpretative discrepancies with the Tax Authorities, and defend its position in the disputes which could arise.

- Renouncement of the following actions:
 - Operations or structures which only pursue a tax advantage and do not respond to business motives or which are not in line with the location of the human and technical resources , the activities and the business risks of the entity.
 - Structuring of operations of an artificial nature or those not related with the own activity of the Company, which are carried out with the sole purpose of reducing the tax burden.
 - Utilisation of non-transparent structures with the purpose of reducing its tax burden.
 - Realisation of investments in or through territories classified as tax havens with the sole purpose of reducing the tax burden. Investments or acquisitions in tax havens will only be carried out when the investment has a business purpose and has as its objective the development of the activity included in the corporate purpose of Endesa.

In the hypothetical scenario in which Endesa finds itself faced with structures of this type, which have the sole purpose to reduce the tax burden (for example an operation to purchase a group of entities), or Endesa acquires a shareholding in entities located in territories classified as tax havens which do not have a business purpose, rather they solely pursue a reduction in the tax burden, Endesa will proceed to liquidate the structure in the shortest timeframe possible.

In this respect, the principles contained in this document follow the tendencies and recommendations in the principles of the BEPS Project (Action Plan on Base Erosion and Profit Shifting) of the OECD in the fight against base profit erosion and profit shifting.

- Full collaboration with the Tax Authorities in their activities of verification related to both Endesa and to third parties.
- Transparency towards third parties (shareholders, clients, suppliers, employees, regulatory bodies, etc.) regarding the herein described tax principles, the bodies implied in the tax governance of Endesa and the detail of its tax contribution in the countries in which Endesa operates.

Endesa is committed to the promotion of cooperative relationships with the Tax Authorities and, in the framework of the "Foro de Grandes Empresas" promoted by the Spanish Tax Authorities, Endesa participated in the redaction of the "Código de Buenas Prácticas Tributarias", to which it has subscribed.

Additionally, in the matter of tax governance and conformity with the "Código de Buenas Prácticas Tributarias", the Head of the Tax Unit in Endesa informs periodically to the Board of Directors, through the Audit Committee, the tax policies followed by the company as well as the tax consequences of the most relevant operations.

In relation to operations with related parties, Endesa presents to the Board of Directors all of the transactions which according to the current mercantile legislation should be approved by same, carrying out a prior validation of compliance with the legislation on transfer pricing. Additionally, the significant contracts between related parties which are relevant for tax purposes are presented to the Board of Directors for its approval, even when the mercantile legislation does not require it.

Endesa relies on established procedures, qualified human resources and sufficiently dimensioned technical resources in order to ensure the compliance with Tax Legislation and has the consulting support from prestigious professional firms where required.

Furthermore, Endesa relies on a policy of control and management of its risks, including tax risks, and has implemented mechanisms for their correct management.

Madrid, 19th June 2017