



Seeding Energies

2017 Annual Corporate Governance Report

Issuer's Particulars

End of Relative financial year: 31/12/2017
Company Tax ID: A-28023430
Corporate Name: ENDESA, S.A.
Registered Office: c/ Ribera del Loira, 60.
28042 Madrid

endesa

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A. Ownership structure

A.1. Complete the following table on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
01/10/1999	1,270,502,540.40	1,058,752,117	1,058,752,117

Indicate whether different types of shares exist with different associated rights.

No

A.2. List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Enel, S.P.A.	0	742,195,713	70.10%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
Enel, S.P.A.	Enel Iberia SRL	742,195,713

Indicate the most significant movements in the shareholder structure during the year.

A.3. Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Ignacio Garralda Ruiz de Velasco	0	30,471	0.00%
José Damián Bogas Galvez	2,374	0	0.00%
Alejandro Echevarría Busquet	200	0	0.00%
Helena Revoredo Delvecchio	332	0	0.00%
Miquel Roca Junyent	363	0	0.00%
Borja Prado Eulate	16,405	0	0.00%
Francisco de Lacerda	0	0	0.00%
Francesco Starace	10	0	0.00%
Enrico Viale	2,500	0	0.00%
Alberto de Paoli	10	0	0.00%
María Patrizia Grieco	0	0	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
Ignacio Garralda Ruiz de Velasco	Manila Inversiones Globales Sicav, S.A.	30,471

% of total voting rights held by directors	0.00%
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Complete the following tables on share options held by directors.

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Related party name or corporate name:

Enel Iberia, S.R.L.

Enel, S.p.A.

Type of relationship:

Corporate

Brief Description:

Enel, S.p.A. holds 100% of the shares in Enel Iberia, SRL.

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related party name or corporate name:

ENDESA Ingeniería, S.L.U.

Enel Sole, S.R.L.

Type of relationship:

Company.

Brief Description:

ENDESA Ingeniería, S.L.U. (an ENDESA Group subsidiary) and Enel Sole, S.r.L. (an Enel Group subsidiary) hold 50% stakes in the following temporary joint ventures: Mérida, Abarán, Rincón de la Victoria, Bolullos, Castro del Río, Muro de Alcoy, Fuente Álamo, Mora de Ebro, Los Alcázares, Vélez Rubio, Écija, Almodóvar del Río and Manacor. ENDESA Ingeniería, S.L.U. (10%), ENDESA Energía, S.A.U. (25%) (ENDESA Group subsidiary) and Enel Sole, S.r.L. (25%) (an Enel Group subsidiary) hold stakes in the Móstoles temporary joint venture

Related party name or corporate name

ENDESA Generación, S.A.U.

Enel, S.P.A.

Type of relationship:

Company.

Brief Description:

ENDESA Generación, S.A.U. (an ENDESA Group subsidiary) and Enel S.p.A hold 40.99% and 4.32% stakes in the share capital of Elcogas, S.A., respectively.

A.6. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

—

A.7. Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company pursuant to article 4 of the Securities' Market Act. If so, identify.

Yes

Name or corporate name:

Enel Iberia SRL

Remarks:

Enel, S.p.A. is the sole shareholder of Enel Iberia

A.8. Complete the following tables on the company's treasury shares. At**year-end:**

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00%

(*) Through:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes:

A.9. Give details to the Board of Directors of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back or transfer treasury stock.

At the Ordinary General Meeting of 27 April 2015, shareholders authorized the Company and its subsidiaries to acquire treasury shares pursuant to the provisions of Article 146 of Spain's Corporate Enterprises Act.

I. To revoke and make void, as to the unused portion, the authorization for the derivative acquisition of treasury shares, granted by the Ordinary General Shareholders' Meeting held on 21 June, 2010.

II. To once again authorize the derivative acquisition of treasury shares, as well as the pre-emptive rights of first refusal in respect thereto, pursuant to article 146 of the Spanish Corporate Enterprises Act under the following conditions:

a) Acquisitions may be made via any legally accepted method, directly by ENDESA, S.A., by its Group companies or by proxy, up to the maximum legal limit.

b) Acquisitions shall be made at a minimum price per share of its par value and a maximum equal to their trading value plus an additional 5%.

c) The duration of this authorization shall be 5 years.

d) As a consequence of the acquisition of shares, including those purchased previously and held at the time of the acquisition by the company or persons acting on their own behalf but in its stead, the resulting net equity shall not be reduced to below the sum of the share capital plus the restricted reserves established by law or the bylaws, all in accordance with the provisions of letter b) of article 146.1 of Spain's Corporate Enterprises Act.

The authorization also includes the acquisition of shares which, as the case may be, must be delivered directly to the employees and Directors of the Company or its subsidiaries, as a consequence of the exercise of stock option rights held thereby.

A.9.bis. Estimated floating capital:

	%
Estimated floating capital	29.90

A.10. Give details of any restriction on the transfer of securities or voting rights. In particular, indicate any

restrictions that could prevent a party from taking control of the company by acquiring its shares on the market.

No

A.11. Indicate whether the general shareholders' meeting has agreed to take neutralization measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.12. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

No

If so, indicate the different classes of shares and, for each class, the rights and obligations carried thereby.

B. General shareholders' meeting

B.1. Indicate the quorum required for constitution of the general shareholders' meeting. Describe how it differs from the system of minimum quorums established in the Spanish Corporate Enterprises Act (LSC).

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC.

No

Describe how they differ from the rules established under the LSC.

B.3. Indicate the rules for modifying the company's by-laws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when changing the bylaws.

Pursuant to article 26 of the Bylaws, in order for the General or an Extraordinary Shareholders' Meeting to validly agree on the amendment to the Corporate Bylaws, on first call, shareholders representing at least 50% of the subscribed capital with voting rights must be present. At second call, 25% of the capital must be represented.

B.4. Indicate the attendance figures for the general shareholders' meetings held during the year and the preceding year.

B.5. Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

No

B.6. Section revoked.

B.7. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

The Company's website is
www.endesa.com

- > Information on "Corporate Governance" can be accessed from the homepage via "Investors"
- > To access General Shareholders' Meeting content, a direct banner link is posted on the home page from the time the meeting is called until it is held.

Once the meeting has been held, the General Shareholders' Meeting information can be accessed through two channels:

- > Shareholders and Investors - Corporate Governance - Shareholders Meetings
- > Shareholders and Investors - Shareholders - Shareholders Meetings

			Attendance data		
Date of General Shareholders' Meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Others	
27/04/2015	70.17%	13.09%	0.00%	1.53%	84.79%
26/04/2016	70.13%	14.45%	0.00%	1.77%	86.35%
26/04/2017	70.12%	14.47%	0.00%	1.02%	85.61%

C. Company management structure

C.1. Board of Directors

C.1.1. List the maximum and minimum number of directors included in the bylaws.

Maximum number of directors	15
Minimum number of directors	9

C.1.2. Complete the following table with Board members' details.

Name or corporate name of Director	Representative	Category of the director	Position on the board	Date first appoint.	Date last appoint.	election procedure
Ignacio Garralda Ruiz de Velasco		Independent	Director	27/04/2015	27/04/2015	Resolution of the General Shareholders' Meeting
José Damián Bogas Gálvez		Executive	Chief Executive Officer	07/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
MR. Alejandro Echevarría Busquet		Independent	Director	25/06/2009	26/04/2017	Resolution of the General Shareholders' Meeting
Helena Revoredo Delvecchio		Independent	Director	04/11/2014	27/04/2015	Resolution of the General Shareholders' Meeting
Miquel Roca Junyent		Independent	Director	25/06/2009	26/04/2017	Resolution of the General Shareholders' Meeting
MR. Borja Prado Eulate		Executive	Chairman	20/06/2007	27/04/2015	Resolution of the General Shareholders' Meeting
Francisco de Lacerda		Independent	Director	27/04/2015	27/04/2015	Resolution of the General Shareholders' Meeting
Francesco Starace		Proprietary	Vice Chairman	16/06/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Enrico Viale		Proprietary	Director	21/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Alberto de Paoli		Proprietary	Director	04/11/2014	27/04/2015	Resolution of the General Shareholders' Meeting
MS. Maria Patrizia Grieco		Proprietary	Director	26/04/2017	26/04/2017	Cooptation
Total number of Directors						11

Indicate any board members who left during this period.

Name or corporate name of director	Category of the director at the time	Leaving date
Livio Gallo	Proprietary	26/04/2017

Executive Directors

Name or corporate name of director	Post held in the company
José Damián Bogas Gálvez	Chief Executive Officer
Mr. Borja Prado Eulate	Chairman
Total number of executive directors	2
% of the board	18.18%

C.1.3. Complete the following tables on Board members and their respective categories:

External Proprietary Directors

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment
Francesco Starace	Enel, S.P.A.
Enrico Viale	Enel, S.P.A.
Alberto de Paoli	Enel, S.P.A.
Maria Patrizia Griego	Enel, S.P.A.
Total number of proprietary directors	4
% of the board	36.36%

Independent External Directors

Name or corporate name of director	Profile
Ignacio Garralda Ruiz de Velasco	Born in Madrid in 1951. Holds a degree in Law from the Complutense University of Madrid, Chartered Trade Broker and Stock and Exchange Broker. Chairman and CEO of Mutua Madrileña, First Vice Chairman of Bolsas y Mercados Españoles (BME). Director at Caixabank, S.A.
Mr. Alejandro Echevarría Busquet	Born in Bilbao in 1942, he holds a degree in Business Administration from the University of Deusto. Chairman of Mediaset España Comunicación, S.A. Director at Sociedad Vascongada de Publicaciones, S.A., CVNE, Editorial Cantabria, S.A., Diario El Correo and Willis Iberia.
Helena Revoredo Delvecchio	Born in Rosario (Argentina) in 1947. Holds a degree in Business Management and Administration from the Pontifical Catholic University of Argentina and PADE (Business Senior Management Programme) from the IESE Business School. Chairwoman of Prosegur Compañía de Seguridad, S.A., Chairwoman of the Prosegur Foundation. Director at Mediaset España Comunicación, Romercapital SICAV, S.A., Proactinmo, S.L., Gubel, S.L., and Euroforum Escorial, S.A.
Miquel Roca Junyent	Born in Cauderan (France) in 1940. Law graduate from the University of Barcelona and holder of an Honorary Doctorate from the distance learning universities of León, Gerona and Cadiz. Chairwoman and Partner of the Roca Junyent Law Firm, Ombudsman for Catalana Occidente. Secretary - Non-director at Banco Sabadell, Abertis Infraestructuras, TYPSA, Accesos de Madrid, S.A. and Werfenlife, S.L. Director at ACS and Aigües de Barcelona.
Francisco de Lacerda	Born in Lisbon in 1960. Holds a degree in Business Administration from the Catholic University of Portugal. Vice Chairman & CEO of CTT - Correos de Portugal, Chairman of Banco CTT, Chairman of CTT Expresso, Presidente de Tourline Express, Chairman of Cotec Portugal.
Total number of independent directors	5
% of the board	45.45%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

Maria Helena Revoredo Delvecchio, has been Chairwoman of Prosegur, and an independent Director at ENDESA since 4 November 2014.

Maria Helena Revoredo performs her functions as an independent director of ENDESA S.A. without prejudice to the possible commercial relationship between the Prosegur and ENDESA Groups.

In this connection, during 2017, the Prosegur Group formally arranged a security and surveillance service provision agreement with Group ENDESA for the latter's facilities in Spain. The services were awarded by ENDESA's Board of Directors, based on the results of the corresponding tender processes, without the involvement of Revoredo, pursuant to the legislation applicable to conflicts of interests. The agreement was approved for a term of one year, for an amount of Euros 0.69 million.

In any case, as part of these transactions it must be noted that: the nature of the service is ordinary; the service is provided under market conditions, as demonstrated in the external advisor report issued to this end; and pursuant to international good corporate governance practice criteria, the amount is not significant or material, as these amounts come to less than 1% of the income or billing volume of both companies.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

Other External Directors

The other external directors will be identified and the reasons listed why they cannot be considered proprietary or independent directors and details will be given of their relationships with the company, its executives or shareholders:

List any changes in the category of each director which have occurred during the year.

C.1.4. Complete the following table on the number of female directors over the past four years and their category.

	Number of female directors				% of total directors of each type			
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2017	FY 2016	FY 2015	FY 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	0	0	0	25.00%	0.00%	0.00%	0.00%
Independent	1	1	1	1	20.00%	20.00%	20.00%	33.33%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	1	1	1	18.18%	9.09%	9.09%	11.11%

C.1.5. Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

On 10 November 2015, the Board of Directors approved a specific and attestable Policy for Selecting Directors, which aims for the integration of different management and professional skills and experience (including those that are specific to the businesses performed by the Company, financial and economical, and legal), also promoting, insofar as possible, diversity of age and gender.

Particularly, with regard to gender diversity, the Company's Policy for Selecting Directors establishes the goal of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

In this connection, the recent inclusion of Maria Patrizia Grieco on the Board of Directors at ENDESA has increased the percentage of female directors from 9% to 18%.

C.1.6. Explain the measures taken, if applicable, by the nomination committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

ENDESA is convinced that diversity in all of its facets, at all levels of its professional team, is an essential factor for en-

surging the Company's competitiveness and a key element of its corporate governance strategy.

Therefore, it ensures equal opportunities and fair treatment in people management at all levels, maximizing the value contribution of those elements that differentiate people (gender, culture, age, capacities, etc.), promoting the participation and development of women in the organization, especially in leadership positions and, in particular, on the Board of Directors.

In this regard, the Policy for Selecting Directors will promote the goal of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

Selection process:

The Appointments and Remuneration Committee will base its proposals for appointing, ratifying or re-electing on the outcome of an objective, attestable and transparent selection process, which will start with a preliminary analysis of the requirements of the Board of Directors, the Audit and Compliance Committee and the Appointments and Remuneration Committee, as a whole, taking the integration of different management and professional experiences and skills as the goal, and promoting diversity of knowledge, experiences and gender, considering the weight of the different activities performed by ENDESA and taking into account those areas or sectors that must be the object of specific promotion, such as information technologies.

When analyzing candidates, the Appointments and Remuneration Committee, based on the needs of the Board of Directors and the requirements that the Board's internal com-

mittees may have on an individual or joint basis, will assess the following elements:

i) the candidates' professional and technical skills. As a whole, directors must fulfil the knowledge required of the activities undertaken by the Company, in terms of economic and financial aspects, accounting, audit, internal control and business risk management aspects, amongst others.

ii) the candidates' management experience, also taking into account the context in which ENDESA operates;

iii) the commitment required for performing the role, also assessing the roles already performed by the candidates in other companies;

iv) the possible existence of conflicts of interest;

v) the significance of possible professional, financial or commercial relationships, existing or maintained recently, directly or indirectly, of candidates with the Company or with other Group companies; and also

vi) possible pending procedures, against the candidates, and also any criminal sentences or administrative penalties that the competent authorities may have imposed on them.

In the case of candidates for independent director, the Appointments and Remuneration Committee will especially verify compliance with the requirements for independence established by Law.

In any case, proposals for the appointment, ratification or re-election of Directors made to the Board shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein.

When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of reasons

Not applicable

C.1.6.bis. Explain the conclusions of the appointments committee on the verification of compliance with the Policy for Selecting Directors. And, in particular, on how this policy is promoting the goal of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

Explanation of conclusions

At its meeting on 18 December 2017, the Appointments and Remuneration Committee unanimously agreed, in terms of verifying the compliance of the policy for selecting candidates for the office of director, that the composition of the Board of Directors, in terms of number of members, structure and the professional experience and skills of its members, is currently appropriate based on the needs of the Company and in line with best corporate governance practices.

On 26 April 2017, María Patrizia Grieco was chosen by the method of co-option as a member of the Board of Directors at ENDESA, S.A. as an external proprietary director.

ENDESA is convinced that diversity in all of its facets, at all levels of its professional team, is an essential factor for ensuring the Company's competitiveness and a key element of its corporate governance strategy. This appointment is a testament to ENDESA's dedication to promoting the participation and development of women in the Organization, especially in leadership positions and, in particular, on the Board of Directors and to fulfilling the objective of female directors accounting for at least 30% of Board members by 2020.

C.1.7. Explain how shareholders with significant holdings are represented on the board.

70,101 % of ENDESA's share capital is held by a single shareholder, the company Enel Iberia, S.R.L. The Italian company Enel, S.p.A holds 100% of the shares (and the voting rights) of Enel Iberia, S.R.L.

In this connection, the Board of Directors at ENDESA, S.A. consists of eleven members: five independent directors, four proprietary directors (representatives of Enel, S.p.A.), and two executive directors (Chairman and Chief Executive Officer), who were appointed to their posts with Enel, S.p.A. as the controlling shareholder.

C.1.8. Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

No

C.1.9. Indicate whether any Director has resigned from office before their term of office has expired, whether that Director has given the Board his/her reasons and through which channel. If made in writing to the whole Board, list below the reasons given by that Director.

Name of director:

Livio Gallo

Reasons for resignation:

The Proprietary Director, Livio Gallo, submitted his resignation as member of the Board of Directors at ENDESA S.A. on personal grounds, in writing to the Board of Directors on 21 April 2017.

C.1.10. Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of Director:

José Damián Bogas Gálvez

Brief Description:

Since 7 October 2014, the Board of Directors has delegated all powers of the Board that could be delegated legally and as per the bylaws to the Chief Executive Officer.

The Chief Executive Officer of ENDESA, S.A., José Damián Bogas Gálvez, shall exercise all powers delegated to him jointly with the Executive Committee of the Board of Directors, as applicable.

C.1.11. List the Directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group.

Name or corporate name of Director	Corporate name of the group company	Position	Performs executive duties?
José Damián Bogas Gálvez	ENDESA Generación II	Joint director	No

C.1.12. List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of Director	Corporate name of the group company	Position
Ignacio Garralda Ruiz de Velasco	Bolsas y mercados españoles sociedad holding de mercados y sistemas financieros, S.A.	Vice Chairman
Mr. Alejandro Echevarría Busquet	Mediaset España Comunicación, S.A.	Chairman
Helena Revoredo Delvecchio	Prosegur Compañía de Seguridad, S.A.	Chairman
Helena Revoredo Delvecchio	Mediaset España Comunicación, S.A.	Director
Miquel Roca Junyent	ACS. S.A.	Director
Francisco de Lacerda	CTT Correos de Portugal	Vice Chairman
Ignacio Garralda Ruiz de Velasco	Caixabank, S.A.	Director
Ms. Maria Patrizia Griego	Anima Holding, S.P.A.	Director
Ms. Maria Patrizia Griego	Ferrari, N.V.	Director
Ms. Maria Patrizia Griego	Amplifon S.P.A.	Director
Ms. Maria Patrizia Griego	Cir S.P.A.	Director

C.1.13. Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

Yes

Explanation of rules

Article 10 of the Board Regulations establishes Incompatibilities for Directors and stipulates that any individual sitting on more than four boards of directors of listed companies, or eight organizations in total (including listed and unlisted companies), may not be appointed as a Director of the Company, considering that membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for

each group of companies. In addition, for these purposes, any board of directors on which the Director sits shall not count when said board is that of a company that may submit abbreviated balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.

C.1.14. Section revoked.

C.1.15. List the total remuneration paid to the board of directors in the year.

Remuneration paid to the board of directors (thousands of Euros)	6,651
Amount of pension rights accumulated by current directors (thousands of Euros)	12,815
Amount of pension rights accumulated by former directors (thousands of Euros)	3,464

C.1.16. List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Position
Mr. Juan María Moreno Mellado	General Manager Nuclear
Francisco Borja Acha Besga	General Secretary and Secretary of the Board of Directors and General Manager Legal Affairs
Mr. Javier Uriarte Monereo	General Manager Marketing
Pablo Azcoitia Lorente	General Manager Procurement
María Malaxechevarría Grande	General Manager Sustainability
Álvaro Quiralte Abello	General Manager Energy Management
José Luis Puche Castillejo	General Manager Resources
Alberto Fernández Torres	General Manager Communication
Manuel Marín Guzmán	General Manager ICT
Mr. Enrique de las Morenas Moneo	General Manager Renewable Energy
José Casas Marín	General Manager Institutions and Regulation
Manuel Morán Casero	General Manager Generation
Mr. Paolo Bondi	General Manager Administration, Finance and Control
Andrea Lo Faso	General Manager HR and Organisation
Francesco Amadei	General Manager Infrastructure and Networks
Mr. Luca Minzolini	General Manager Audit
Mr. Josep Trabado Farré	E-Solutions General Manager
Total remuneration received by senior management	12,444

C.1.17. List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Name or corporate name of significant shareholder	Position
José Damián Bogas Gálvez	Enel Iberia SRL	Director
Mr. Borja Prado Eulate	Enel Iberia SRL	Director
Francesco Starace	Enel, S.P.A.	Chief Executive Officer
Francesco Starace	Enel Iberia SRL	Chairman
Enrico Viale	CESI	Director
Enrico Viale	Enel AmericaS, S.A.	Director
Alberto de Paoli	Enel Green Power, S.P.A.	Chairman
Ms. Maria Patrizia Griego	Enel, S.P.A.	Chairman
Enrico Viale	Enel Global Thermal Generation SRL	Director
Enrico Viale	Slovak Power Holding	Director

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of linked director	Name or corporate name of linked significant shareholder	Description of relationship
Enrico Viale	Enel, S.p.A.	Manager of Thermal Generation
Alberto de Paoli	Enel, S.p.A.	General Manager - Administration, Finance and Control

C.1.18. Indicate whether any changes have been made to the regulations of the Board of Directors during the year.

Yes

Description of amendments

Primarily on account of the new EU and Spanish regulations on account auditing, the recently passed Royal Decree-Law No. 18/2017, of 24 November, on non-financial information and the approval of the "Technical Guide 3/2017: On audit committees at public-interest entities" (the "Technical Guide") by the Spanish National Securities Market Com-

mission on 27 June 2017, the Board Regulations have been amended to adapt its content to these rules and documents and thus introduce specific technical improvements and to bring them into line with other internal regulations at the Company.

The main changes made can be consulted below:

> Title One:

Removal of the subsidiary assignment of all powers that do not correspond to the General Shareholders' Meeting to the Board of Directors has been proposed, in light of the legal assignment of powers established in the Law concerning the Board's internal committees.

Different express references to non-financial information have been included, pursuant to the provisions of Royal Decree-Law No. 18/2017, of 24 November, on non-financial information.

The ability to create Advisory Committees has been removed.

> Title Three: Technique and drafting improvements have been included in matters affecting "Director Incompatibilities".

> Title Six:

Article 23, on the Audit and Compliance Committee, has experienced the most changes, fundamentally in order to adapt to the Spanish National Securities Market Commission's Technical Guide. Thus, firstly, the system in terms of the composition of the Committee has been changed (given that, based on the legal requirements, it must be made by for the large part of independent directors, rather than at least two) and the knowledge and experience of members (both individually and the Committee as a whole). Likewise, the sections on the main functions of the Committee have been changed (which shall be to advise the Board of Directors and supervise and control the creation and presentation of financial and non-financial information, the independence of the auditor and the efficiency of internal risk control and management systems, in addition to informing the Board of Directors of operations with related parties) and the regulation of the Committee's spe-

cific functions, with the wording simplified to include further details in the Audit and Compliance Committee Regulations and to adapt its content to the Technical Guide and actual organizational and functional structure of the Company. Finally, it has been established that attendance of senior management and employees at Committee meetings shall be subject to prior invitation by the Chairman of the Committee.

> Title Seven: Technique and drafting improvements have been included in matters affecting "Director Disclosure Requirements". Specifically, a new article 28 bis has been included, with the heading "Disclosure requirements," which will comprise different sections of the Regulation which up until now had been contained in other articles.

> Title Ten: Article 31 modifies paragraph 2 to specify that the Board of Director's supervision of information systems for the different groups of shareholders shall be undertaken by the Audit and Compliance Committee.

C.1.19. Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

> Selection: in addition to its other duties, the Appointments and Remuneration Committee (hereinafter CNR) is tasked with assessing the skills, knowledge and experience needed on the Board of Directors. To this end, it will define the functions and skills required by the candidates to cover each vacancy and assess the time and dedication needed to adequately perform their duties, ensuring, in particular, that non-executive board members have sufficient time available to correctly perform their duties and raise proposals to appoint independent directors to the Board of Directors and report on the proposals of other directors.

In line with the policy for selecting candidates for the office of director, the CNR will base its proposals for appointing, ratifying or re-electing on the outcome of an objective, attestable and transparent selection process, which will start with a preliminary analysis of the requirements of the Board of Directors, the Audit and Compliance Committee and the Appointments and Remuneration Committee, as a whole, taking the integration of different management and professional experi-

ences and skills as the goal, and promoting diversity of knowledge, experiences and gender, considering the weight of the different activities performed by ENDESA and taking into account those areas or sectors that must be the object of specific promotion, such as information technologies.

When analyzing candidates, the CNR, based on the needs of the Board of Directors and the requirements that the Board's internal committees may have on an individual or joint basis, will assess the following elements:

- i) the candidates' professional and technical skills. As a whole, directors must fulfil the knowledge required of the activities undertaken by the Company, in terms of economic and financial aspects, accounting, audit, internal control and business risk management aspects, amongst others.
- ii) the candidates' management experience, also taking into account the context in which ENDESA operates;
- iii) the commitment required for performing the role, also assessing the roles already performed by the candidates in other companies;
- iv) the possible existence of conflicts of interest;
- v) the significance of possible professional, financial or commercial relationships, existing or maintained recently, directly or indirectly, of candidates with the Company or with other Group companies; and also
- vi) possible pending procedures, against the candidates, and also any criminal sentences or administrative penalties that the competent authorities may have imposed on them.

In any case, proposals for the appointment, ratification or re-election of Directors made to the Board shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein.

To select candidates, the CNR may request the services of one or more external consultants specializing in the

search for and selection of candidates with a view to enhancing the efficiency, effectiveness and impartiality of procedures for identifying candidates.

- > Appointment: The General Shareholders' Meeting is responsible for both appointing and removing members of the Board of Directors. In the event of vacancies arising on the Board of Directors, the same shall appoint Directors, following a report by the Appointments and Remuneration Committee, until the next General Shareholders' Meeting is held.
- > Re-election: The term of office of Directors shall be four years and they may be re-elected for periods of like duration.

The proposed re-election of Directors made by the Board of Directors to the General Shareholders' Meeting shall be made at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors, and following a report by said Committee for all other types of Directors.

- > Evaluation: Each year, the Board of Directors shall assess the quality and efficiency of the Board's operation following a report from the Appointments and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the Chief Executive Officer, based on the report from the Appointments and Compensation Committee, and the operation and composition of its Committees and of the Executive Committee, as the case may be, in view of the report submitted thereto by said Committees.

The Board of Directors shall propose, based on the results of the assessment, an action plan to correct any identified deficiencies. The results shall be included in the meeting minutes or as an attachment thereto. Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant, whose independence will be verified by the CNR.

- > Removal: The position of Director may be renounced and revoked. The term of office of Directors shall be four years. The General Shareholders' Meeting is responsible for removing members of the Board of Directors. Furthermore, and prior thereto, the CNR shall be responsible for proposing or informing the Board

of Directors of the removal of a Board member, with reference to Independent Directors or other categories of Directors, respectively, when: their remaining on the Board of Directors may impair the credit and reputation of the Company, or they are subject to any instance of incompatibility or prohibition, or the shareholders that they represent transfer their equity stake in its entirety, or reduce it.

C.1.20. Explain to what extent the Board's annual evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities.

Description of amendments

As a result of the annual evaluation process on the functioning of the Board and of its Committees in 2017, no changes have been made to the internal organization of the Board of Directors or its Committees, nor to the procedures applicable to their activities.

C.1.20.bis. Describe the evaluation process and the areas evaluated by the Board of Directors aided, where applicable, by an external consultant, with regard to diversity in its composition and powers, the operation and composition of its committees, the performance of the Chairman of the Board and the Chief Executive Officer and the performance and contribution of each Director.

In October 2017, the start of the ENDESA S.A. Board of Directors self-assessment process was agreed upon, complying with art. 529 (9) LSC and recommendation 36 of the Good Governance Code for CNMV Listed Companies, which states that the Plenary of the Board of Directors must evaluate and adopt, where applicable, an action plan once a year, to correct any deficiencies detected, regarding:

- > The quality and efficiency of the functioning of the board of directors.
- > The operation and composition of its committees.
- > Diversity in the composition and powers of the Board of Directors.

- > The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.
- > The performance and contribution of each director, paying special attention to the managers of the Board's different committees.
- > The 2017 assessment was performed without the involvement of an external consultant (the 2015 assessment was performed with assistance from KPMG).

The evaluation process has involved the following different aspects:

- > Assessment and self-assessment of members of the Board of Directors, the Audit Committee (including the evaluation of all Board members), the Appointments and Remuneration Committee, the Chairman of the Board, the Chief Executive Officer and the Secretary of the Board of Directors.
- > Creation of a report with the responses to the questions posed and a spreadsheet containing the aspects most and least valued by Directors. Furthermore, the report shall include a comparison with the results obtained during the previous year.
- > Improvement actions to be implemented in 2018, for the purpose of correcting deficiencies detected.

C.1.20.ter. List, where applicable, the business relationships that the consultant or any company in its group maintains with the Company or any Group company.

C.1.21. Indicate the cases in which Directors must resign.

Directors must resign in the events described in article 12.2 of the Board of Directors' Regulations. In this connection, Directors must tender their resignation in the following circumstances: their remaining on the Board of Directors may impair the credit and reputation of the Company, or they are subject to any instance of incompatibility or prohibition provided for by law or in the Bylaws or Regulations of the Board of Directors.

Furthermore, Independent Directors must tender their resignation, when just cause is found by the Board of Directors, following a report by the Appointments and Remuneration Committee, and Proprietary Directors when the shareholders that they represent transfer their equity stake in its entirety, or reduce it. In the latter case, the corresponding number of proprietary directors will be reduced.

Finally, in the event that a Director ceases in his position, whether due to resignation or otherwise, prior to the end of his mandate, he must explain the reasons in a letter to be sent to all Board members. Without prejudice to said removal being reported as a significant event, a report must be given on the reason for the removal in the Annual Corporate Governance Report .

C.1.22. Section revoked.

C.1.23. Are qualified majorities, other than those prescribed by law, required for any type of decisions?

No

If applicable, describe the differences.

C.1.24. Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman.

No

C.1.25. Indicate whether the Chairman has the casting vote.

Yes

Matters where the chairman has the casting vote

In accordance with what is established in article 47 of the bylaws, "Resolutions shall be adopted by absolute majority of the Board Members who, present or represented, are in attendance at the meeting. In the event there is an equal number of votes, the Chairman, or whosoever substitutes him or her at the meeting, will cast the decisive vote. The provisions of this section shall be applicable without prejudice to those resolutions for which a qualified majority of the Board Members is required in accordance with these Corporate Bylaws or current laws in force."

C.1.26. Indicate whether the Bylaws or the board regulations set any age limit for directors.

No

C.1.27. Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors.

No

C.1.28. Indicate whether the bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been stipulated regarding the categories that can be appointed proxy, other than any limitations imposed by law. If so, give brief details.

Article 45 of the Company Bylaws and article 20.2 of the Board of Directors' Regulations state that each director may grant a proxy to another member of the Board of Directors. Proxies shall be granted in writing and specifically for each Board Meeting. No director may hold more than three proxies, with the exception of the Chairman, to whom this limit shall not apply, although he may not represent the majority of the Board of Directors. Non-Executive Directors may only delegate their proxy to another non-executive.

C.1.29. Indicate the number of Board meetings held during the year and how many times the board has met without the chairman in attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	12
Number of board meetings held in the absence of the chairman	0

If the chairman is the executive director, indicate the number of board meetings held in the absence and without representation on behalf of any executive director and chaired by the coordinating director.

Number of meetings	0
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Indicate the number of meetings of the various board committees held during the year.

Committee	Number of meetings
Audit and Compliance Committee	11
Appointments and Remuneration Committee	8
Executive Committee	0

C.1.30. Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Number of meetings attended by all directors	12
% of attendances of the total votes cast during the year	100.00%

C.1.31. Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously.

Yes

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorization for issue by the board.

Name	Position
Mr. José Damián Bogas Gálvez	Chief Executive Officer
Mr. Paolo Bondi	General Manager - Administration, Finance and Control

C.1.32. Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

The main function of the Audit and Compliance Committee is to advise the Board of Directors and supervise and control the creation and presentation of financial and non-financial information, the independence of the auditor and the efficiency of internal risk control and management systems, in addition to informing the Board of Directors of operations with related parties.

The Audit and Compliance Committee, in terms of the process of creating economic-financial and non-financial information, has the following duties:

- > To monitor the preparation and the presentation of the Company's required financial information and, where appropriate, the Group, and submit recommendations or proposals to the Board of Directors, with a view to safeguarding its integrity.
- > Regularly revise, analyse and comment financial statements and other relevant non-financial information with management, internal auditing, the external auditor, or, as applicable, an audit firm.
- > Assess, considering the different sources of information available, whether the Company has correctly applied accounting policies and use its own judgement to reach a conclusion.
- > Assess, considering the different sources of information available, whether the Company has correctly applied accounting policies and use its own judgement to reach a conclusion.
- > Inform the Board of Directors on the veracity, integrity and reliability of regulated financial information that, given its status as a listed company, the Company must publish on a periodic basis:
 - a) annual financial report that covers financial statements and separate management reports for the Company and the consolidated Group, revised by the auditor.
 - b) half-yearly financial report on the first six months of the year, that covers the condensed financial statements and the separate interim management reports for the Company and the consolidated Group.
 - c) interim statements concerning the first and third quarters of the year, containing an explanation of the significant events and operations that have occurred during the period between the start of the financial year and the end date of each quarter, in addition to a general statement on the financial position and results of the Company and its consolidated Group.
- > Monitor the efficiency of the internal control of the Company's financial information, including the receipt of

reports from those responsible for internal control and internal auditing and reaching a conclusion on the reliability and feasibility of the system, informing the Board of Directors accordingly, and discussing significant weaknesses in the internal control system detected during the audit with the External Auditor. To this end, and as applicable, the Audit and Compliance Committee may submit recommendations or proposals to the Board of Directors, along with the corresponding follow-up period.

Likewise, the Audit and Compliance Committee, in terms of the account auditor:

- > ensure that the remuneration of the External Auditor for his work does not compromise its quality or its independence, verifying the limits on the concentration of the auditor's business.
- > oversee compliance with the audit agreement, regularly receiving information on the audit plan and results thereof from the External Auditor, in addition to any other aspects relating to the audit process.

To undertake its supervision functions, the Audit and Compliance Committee may perform a final assessment on the auditor's performance and how it has contributed to the quality of the audit and integrity of financial information.

If, having performed the auditor assessment, the Audit and Compliance Committee believes there are aspects that are cause for concern or unresolved in terms of the quality of the audit, the Committee shall assess the possibility of informing the Board of Directors and, if deemed appropriate, will inform supervisory authorities as applicable.

Throughout the process, and in compliance with the recommendation 42.2 d) of the Code of Good Governance for listed companies and the provisions of article 33 of the Board of Directors' Regulations, the Audit and Compliance Committee has an ongoing objective and professional relationship with the Company's accounts auditor, in respect of its independence, and agrees to provide all information said auditor may need in order to perform its tasks. For this purpose, in 2017, Ernst & Young, S.L. attended various meetings with the Audit and Compliance Committee to report on the following points:

- > The Audit of the Consolidated Financial Statements of ENDESA, S.A. and Subsidiaries for the year ended 31

December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

- > The Audit of the Individual Financial Statements of ENDESA, S.A. for the year ended 31 December 2017, prepared in accordance with the Spanish General Chart of Accounts.
- > The agreed procedures relating to information for the Internal Control over Financial Reporting ("ICFR") system.
- > Limited review of the Financial Information of ENDESA, S.A. and Subsidiaries for the period ended 30 June 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- > Under the audit plan, a report was issued on the new Audit Report for Consolidated Financial Statements (applicable in 2017), in accordance with the legal reforms introduced by the European Union, the new Spanish Audit Law, and International Audit Standards applied in Spain (IAS-ES), in addition to the new Additional Reporting requirements for the Audit and Compliance Committee.

C.1.33. Is the Secretary of the board also a Director?

No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Francisco Borja Acha Besga	

C.1.34. Section revoked.

C.1.35. Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Pursuant to Article 52 of the Bylaws and the Audit and Compliance Committee Regulations, the main task of the Audit and Compliance Committee (hereinafter, CAC) is to promote compliance with good corporate governance and ensure the transparency of all actions of the Company in the economic and financial area and external and compliance audits and internal audits and, therefore, it shall:

- > Liaise with external auditors in order to receive information on all matters which may place at risk their independence, for examination by the Committee, and any others related to the procedures concerning the audit of the accounts and, when applicable, authorize services other than those prohibited, under the terms set out in the applicable regulations, on independence, as well as those communications as provided by account auditing laws and technical auditing standards.
- > Supervise the efficiency of the Company's internal control, internal auditing and risk management systems, and also discuss, with the auditor, the significant weaknesses of the internal control system detected while performing the audit, all without compromising its independence. To this end, and as applicable, recommendations or proposals may be submitted to the Board of Directors, along with the corresponding follow-up period.
- > Monitor the preparation and the presentation of the required financial information, and submit recommendations or proposals to the Board of Directors, with a view to safeguarding its integrity.
- > Make recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the auditor of accounts, assuming responsibility for the selection process, as set out in the applicable regulations, and the terms of his or her engagement, and receive regular information from him or her on the progress and findings of the audit programme, besides preserving independence in the exercise of his or her duties.

In any case, the Audit and Compliance Committee shall also receive annually from the external auditors a statement of their independence vis-à-vis the Company and/or entities directly or indirectly related to the Company, as well as detailed and separate information on the additional services of any type rendered and the corresponding fees received from these entities by the external auditor or by persons or entities related to him or her, in accordance with the provisions of audit regulations. Furthermore, as much information as possible should be sought from the Administration, Finance and Control Department, the Internal Audit Department and the auditor himself in terms of the independence of the auditor of accounts.

Moreover, there is no relationship other than that derived from professional activities with financial analysts, investment banks and credit rating agencies.

C.1.36. Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

No

Explain any disagreements with the outgoing auditor and the reasons for the same.

C.1.37. Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

	Company	Group	Total
Amount of non-audit work (in thousands €)	757	679	1,436
Amount of non-audit work as a % of the total amount billed by the audit firm	29.94%	42.20%	34.71%

C.1.38. Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

No

C.1.39. Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	Group
Number of consecutive years	7	7
Number of years audited by current audit firm/ Number of years the company's financial statements have been audited (%)	18.92%	23.33%

C.1.40. Indicate and give details of any procedures through which directors may receive external advice.

Yes

Details of the procedure

Article 29 of the Board of Directors' Regulations governs the right to advice and information: The Directors, as required to perform their duties, have access to all of the Company's services and have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, as well as any advising required in relation to any matter. The right to information extends to investees. The request will be made by the Chairman through the Board Secretary and conveyed by the Chief Executive Officer.

Furthermore, the Board may request information on the actions of Senior Management of the Company and may ask for such explanations as it sees fit. Said request shall be made by the Chairman through the Board Secretary and shall be conveyed by the Chief Executive Officer.

The majority of the Directors and the Coordinating Director may make proposals to the Board regarding the engagement, at the Company's expense, of such legal, accounting, technical, financial, commercial or other advisers as they consider necessary in order to assist them in performing their duties as related to specific problems of a certain importance and complexity related to the performance of their work.

The above proposal must be notified to the Company Chairman through the Board Secretary and will be conveyed by the Chief Executive Officer. The Board may refuse to approve financing for the advisory services referred to in the preceding paragraph on the grounds that they are not necessary for the performance of the functions entrusted, that their amount is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by Company personnel.

The Company shall establish an orientation programme which shall provide new Directors with speedy and sufficient knowledge of the Company, as well as of its rules of corporate governance. In addition, it shall also offer Directors

knowledge recycling programmes when circumstances so advise.

C.1.41. Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

Yes

Details of the procedure

The Board of Directors' Regulations stipulate that the call to meeting of the Board shall be made with the required notice, at least 48 hours before the date set for the meeting, to each of the directors and shall include the agenda, clearly identifying the items on which the Board of Directors shall make a decision or adopt a resolution so that the directors may study or gather, in advance, the information required to make such decisions. Likewise, the minutes of the preceding meeting shall be attached.

Directors have an IT application to handle documents from Board meetings and Committee meetings online, facilitating the right to information and availability and access thereto.

In line with the Board of Directors Regulations, Directors, as required to perform their duties, have access to all of the Company's services and have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, as well as any advising required in relation to any matter. The right to information extends to investees. The request will be made by the Chairman through the Board Secretary and conveyed by the Chief Executive Officer.

Furthermore, the Board may request information on the actions of Senior Management of the Company and may ask for such explanations as it sees fit. Said request shall be made by the Chairman through the Board Secretary and shall be conveyed by the Chief Executive Officer.

C.1.42. Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be.

Yes

Details of rules

The Directors must present their resignation to the position and formalize their resignation when they incur in any of the assumptions established in article 12.2 of the Regulations of the Board of Directors and in particular "the Directors must place their position at the disposal of the Board of Directors when their stay in the Board of Directors Administration may harm the credit and reputation of the Company. "

Likewise, pursuant to article 28.bis of the Board of Directors' Regulations, Directors shall notify the Company, via the Board Secretary, of the start of any type of criminal investigation or proceedings, in Spain or abroad, in which they are involved, as well as of all developments related thereto. The Audit and Remuneration will analyze the information available, presented by the Director, via the Secretary, to determine whether this event could damage the Company's credit or reputation.

In cases where the criminal investigation or proceedings leads to a Director being indicted or tried for any of the crimes stated in company law, the Board of Directors shall examine the matter as quickly as possible and, after reporting to the Appointments and Remuneration Committee, decide on the course of action that is most suitable for the Company's interests. In the event that the criminal proceedings take place in a jurisdiction outside of Spain, similar concepts and legal categories to those set down in Spanish law shall be applied.

C.1.43. Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Corporate Enterprises Act (LSC).

No

Indicate whether the Board of Directors has examined the matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44. List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

At 31 December 2017, ENDESA, S.A. has loans and other borrowings from banks and Enel Finance International, N.V. of approximately 5,738 million Euros, with an outstanding debt of 3,738 million Euros, which might have to be repaid early in the event of a change of control over ENDESA, S.A.

Furthermore, certain ENDESA subsidiaries that operate in the renewable energy business, and which are financed through project finance have financial debt of 159 million Euros, in addition to associated derivatives with a negative net market value of 12 million Euros, which might have to be settled early as a result of a change of control over ENDESA.

C.1.45. Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other operation.

Number of beneficiaries: 25

Type of beneficiary:

Executive directors, senior executives and executives.

Description of resolution:

These clauses are the same in all the contracts of the Executive Directors and senior executives of the Company and of its Group and were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the

event of termination of the employment relationship and a post-contractual non-competition clause.

With regard to management, although this type of termination clause is not the norm, the contents of cases in which it arises are similar to the scenarios of general employment relationships.

Furthermore, ENDESA's Remuneration Policy established that when new directors are included, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the executive director contracts.

The regime for these clauses is as follows.

Termination of the employment relationship:

- > By mutual agreement: termination benefit equal to an amount from 1 to 3 times the annual remuneration, on a case-by-case basis. ENDESA's 2016-2018 Directors' Remuneration Policy established that when new directors are included, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the executive director contracts.
- > At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other cases for compensation for termination provided for in Royal Decree 1382/1985.
- > As a result of termination by the Company: termination benefit equal to that described in the first point.
- > At the decision of the Company based on the serious willful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for senior executives.

Post-contractual non-competition clause: In the vast majority of contracts, senior executives are required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to up to 1 times the annual fixed remuneration payment.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group.

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	Yes	No
		Yes No
Are the shareholders informed of such clauses at the General Shareholders' Meeting?		X

C.2. Board committees

C.2.1. Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors.

Audit and Compliance Committee

Name	Position	Category
Ignacio Garralda Ruiz de Velasco	Chairman	Independent
Mr. Alejandro Echevarría Busquet	Member	Independent
Alberto de Paoli	Member	Proprietary
Helena Revoredo Delvecchio	Member	Independent
Francisco de Lacerda	Member	Independent
Miquel Roca Junyent	Member	Independent
% of proprietary directors		16.67%
% of independent directors		83.33%
% of other external directors		0.00%

Explain the functions attributed to this committee, describe the organizational and operational rules and procedures of the same and summarize its most important actions during the year.

The Audit and Compliance Committee, hereinafter CAC, will comprise a minimum of three and a maximum of six members of the Board of Directors. It shall be exclusively comprised of non-executive directors, the majority of which should be independent directors. Members of the CAC shall serve a term of office of four years and they may be re-elected for periods of like duration.

The appointment of members of the CAC shall be based on their knowledge and experience in accounting, auditing, finance, internal control and risk management, in addition to appropriate training in corporate governance and corporate social responsibility. As a whole, members of the Committee shall have relevant technical knowledge in terms of the electricity and gas industry to which the Company belongs.

The Chairman of the Audit and Compliance Committee shall be appointed by the Board of Directors from the independent directors sitting on the Committee, bearing in mind their knowledge and experience in accounting, auditing or risk management. The Chairman must be substituted every four years and may be re-elected after one year after his vacating office has lapsed.

The CAC will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy. Resolutions must be adopted with the favorable vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman will have the casting vote.

The Secretary of the Committee shall be the same as the Secretary of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions.

The main functions of the Committee shall be to advise the Board of Directors and supervise and control the creation and presentation of financial and non-financial information, the selection, appointment and independence of the auditor and the

efficiency of internal risk control and management systems, oversee internal audit services, supervise the communication strategy and relationship with shareholders and investors, oversee compliance with corporate governance rules, revise the corporate social responsibility policy and monitor the corresponding strategy and practices, in addition to informing the Board of Directors of operations with related parties. These duties will be deemed to be without limitation and without prejudice to such other duties by law and as may be entrusted to the Committee by the Board of Directors.

The most important actions undertaken by the Committee in 2017 were to inform the Board on the Company's financial information, supervise the internal risk control and management systems, inform the Board on the change to internal regulations and action plans to improve corporate governance practices, in line with the content of the CNMV Guide on audit committees at public-interest entities, obtain the "Criminal Risk Prevention Model" certificate, approve ENDESA's criminal and anti-bribery regulatory compliance policy, information on the disclosure of non-financial information and information to the Board in terms of operations with related parties, amongst others.

Identify the director who is a member of the Audit Committee and has been appointed in consideration of his or her knowledge and experience in the area of accounting, auditing or both an report on the number of years that the Chairman of this committee has held the position.

Name of director with experience	Ignacio Garralda Ruiz de Velasco
No. of years chairman in role	1

Appointments and Remuneration Committee

Name	Position	Category
Miquel Roca Junyent	Chairman	Independent
Alberto de Paoli	Member	Proprietary
MR. Alejandro Echevarría Busquet	Member	Independent
Helena Revoredo Delvecchio	Member	Independent
Francisco de Lacerda	Member	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent

% of proprietary directors	16.67%
% of independent directors	83.33%
% of other external directors	0.00%

Explain the functions attributed to this committee, describe the organizational and operational rules and procedures of the same and summarize its most important actions during the year.

The Appointments and Remuneration Committee, hereinafter CNR, shall be formed by a minimum of three and a maximum of six non-executive members of the Board of Directors, at least two of whom must be independent directors.

The Chairman of the Appointments and Remuneration Committee shall be appointed by the Board of Directors from among its independent Directors.

The CNR will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.

Resolutions must be adopted with the favorable vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman will have the casting vote.

The CNR may contract external consultancy services. The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions.

The Appointments and Compensation Committee shall have the following duties:

Assess the capacities, knowledge and experience required on the Board of Directors in order to submit proposals to the Board on the selection, appointment, re-election and removal of members of the Board; propose members to sit on the Executive Committee and each of the Committees and report on the proposed appointment and removal of senior managers, the basic conditions of their contracts and payment; propose the adoption of remuneration systems for senior management in addition to proposing the Director remuneration policy to the Board of Directors, in addition to the individual remuneration and other contract terms for Executive Directors;

establish a gender representation target for the Board of Directors and examine and organize the succession plan for the Chairman of the Board of Directors and the CEO, amongst others.

The main action taken by the Committee in 2017 was as follows: report on the proposed appointment of Ms. Grieco as a Proprietary Director; the re-election of Independent Directors; the creation of the E-Solutions Department and the associated appointment; remuneration for the Executive Management Committee; variable remuneration of senior management; the annual report on Director remuneration; compliance with the policy for selecting candidates for the office of director and amendments thereto; the evaluation of the Committee and Board for 2016 and the Annual Committee Activity Report, amongst others.

Executive Committee

Name	Position	Category
Mr. Borja Prado Eulate	Chairman	Executive
José Damián Bogas Gálvez	Member	Executive
Francesco Starace	Member	Proprietary
Mr. Alejandro Echevarría Busquet	Member	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
Alberto de Paoli	Member	Proprietary
Miquel Roca Junyent	Member	Independent

% of executive directors	28.57%
% of proprietary directors	28.57%
% of independent directors	42.86%
% of other external directors	0.00%

Explain the functions attributed to this committee, describe the organizational and operational rules and procedures of the same and summarize its most important actions during the year.

Article 22 of the Board of Directors' Regulations, which regulates the composition and operating system of the Executive Committee, in the first place, establishes its optional nature, and also establishes the following organizational and operational rules:

The Executive Committee, if any, shall consist of a minimum of five and a maximum of seven Directors, including the

Chairman and the Chief Executive Officer. The Chairman of the Board of Directors will chair the Executive Committee and the Secretary of the Board of Directors will act as such on the Executive Committee. The rules on substituting such officers shall be as stipulated for the Board of Directors.

The composition of the Executive Committee shall reasonably reflect the structure of the Board. The Executive Committee shall have the power to adopt resolutions related to the powers delegated thereto by the Board as well as all other resolutions which, in the event of emergency, may need to be adopted.

Members of the Executive Committee shall be appointed by proposal of the Appointments and Compensation Committee and shall require the favorable vote of at least two thirds of the Board members.

Resolutions of the Executive Committee on matters for which it has been delegated powers by the Board shall be implemented as soon as they have been adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so advises, the resolutions of the Executive Committee will be submitted for subsequent ratification by the Board.

The Secretary of the Executive Committee shall be that of the Board of Directors and will draft minutes of the resolutions passed and inform the Board of the same. The minutes must be available to all Board members. It must be highlighted that the Executive Committee did not meet in 2017.

Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different categories of Director.

Yes

C.2.2. Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	16.65%	1	16.65%	1	16.65%	1	20.00%
Appointments and Remuneration Committee	1	16.65%	1	16.65%	1	16.65%	1	20.00%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3. Section revoked

C.2.4. Section revoked.

C.2.5. Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Audit and Compliance Committee

The Audit and Compliance Committee is regulated by the Bylaws and the Board of Directors' Regulations and the Audit and Compliance Committee Regulations. These regulations can be consulted on the Company's website www.endesa.com.

The Audit and Compliance Committee Regulations were amended in December 2017, in line with the new EU and Spanish account audit regulations, specifically Royal Decree-Law No. 18/2017, of 24 November, on non-financial information and the approval of the "Technical Guide 3/2017: on audit committees at public-interest entities" (the "Technical Guide") by the Spanish National Securities Market Commission on 27 June 2017.

The main developments are outlined below:

- > Changes concerning the knowledge and experience required from members of the Board (both individually and the Committee as a whole) have been included, and an orientation programme set up for new members, in addition to a permanent training plan.
- > Express reference to the Committee's annual working plan has been introduced, which must address the specific objectives and an annual calendar of meetings.
- > A minimum of 4 meetings must be held each year and at least one to coincide with each publication date of financial information.

- > More detailed regulations have been introduced on the attendance of the internal and external auditor, with at least part of meetings with these individuals held without the Company's management being present, and offering the internal auditor direct, effective access to the Committee.
- > The wording of articles on the Committee's functions has been changed to adapt their content to the provisions of Spanish and EU regulations on account auditing, Royal Decree-Law No. 18/2017, of 24 November, on non-financial information and, primarily, the Technical Guide of the Spanish National Securities Market Commission, in addition to the actual organizational and functional structure of the Company, in a way that is consistent with the proposed amendment of the Board of Directors' Regulations, which are also subject to Board approval.
- > A clause has been introduced in the Regulations that an opinion must be sought from other directors as part of the assessment of the Audit and Compliance Committee.

The Audit Committee draws up, inter alia, the annual activity report for the Audit and Compliance Committee.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is regulated by the Bylaws and the Board of Directors' Regulations. These regulations can be consulted on the Company's website www.endesa.com. The Appointments and Remuneration Committee draws up an Activity Report each year.

Executive Committee

The Executive Committee is regulated by the Bylaws and the Board of Directors' Regulations. These regulations can be consulted on the Company's website www.endesa.com.

The Executive Committee did not meet in 2017.

C.2.6. Section revoked.

D. Related-party and intragroup transactions

D.1. Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure for reporting the approval of related-party transactions

The procedure for approving operations with related parties is set out in ENDESA's Operations with Related Parties Regulations. Procedure for requesting approval for operations linked to Directors:

1. ENDESA Directors must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that they or their related parties intend to perform with ENDESA or with any company in the ENDESA Group, prior to performing it.
2. When the Secretary is also a Director and requests authorization, the request shall be forwarded to the Chairman of the Board of Directors.
3. The request shall state: (a) the Director or person related to the Director that is going to undertake the operation and the nature of the relationship. (b) The ENDESA Group company with whom the operation will be undertaken. (c) The purpose, the value and the main terms and conditions of the operation. (d) The nature of the operation. (e) Any other information or circumstances that may be relevant in terms of assessing the operation.
4. Notwithstanding the provisions of section 1 above, senior managers who are aware of any potential operation linked to Directors or persons related thereto, shall inform General Secretary and the Board of Directors, and the General Manager of Administration, Finance and Control at ENDESA.

Procedure for requesting approval for operations linked to significant shareholders:

1. Operations that ENDESA or ENDESA Group companies undertake with significant shareholders or persons relat-

ed thereto must be approved by the Board of Directors, following a report from the Audit and Compliance Committee.

2. ENDESA Group Senior Management must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that ENDESA or any company in the ENDESA Group intends to perform with significant shareholders or their related parties. Likewise, the Senior Management must inform the General Manager of Administration, Finance and Control at ENDESA of this request.
3. The request shall state: (a) the significant shareholder or person related to the significant shareholder that is going to undertake the operation and the nature of the relationship. (b) The ENDESA Group company with whom the operation will be undertaken. (c) The purpose, the value and the main terms and conditions of the operation. (d) The nature of the operation. (e) Any other information or circumstances that may be relevant in terms of assessing the operation.

Approval of the operation by the Board:

1. When the operation must be approved by the Board of Directors, the General Secretary and the Board of Directors shall ask the Audit and Compliance Committee to issue the corresponding report, submitting the information gathered to this effect.
2. The Audit and Compliance Committee will analyse this information and issue a report on the operation, for which purpose it may request any information it deems fit through the General Secretary and the Board of Directors. In accordance with the provisions of the Board of Directors' Regulations, the Audit and Compliance Committee may use any external advisors it deems fit to issue this report.
3. The Audit and Compliance Committee report will be submitted to the Board of Directors so that it may rule as appropriate in relation to authorising the transaction.

4. Under urgent circumstances for which due justification is provided, the CEO may approve the operation, which shall be ratified at the first Board meeting held after the decision is adopted.

Obligation of Directors to abstain from participating in decision-making:

Directors who are going to perform the operation or related to the party who is going to perform it or Directors who are also the significant shareholder affected or is related to the latter, and also any Directors who have been appointed at the request of the aforementioned significant shareholder or who, for any other reason, are affected by a conflict of interests must abstain from participating in the deliberation and voting on the agreement in question, so that the independence of the Directors approving the related-party operation is guaranteed in relation to the Directors affected by it.

In terms of related-party operations with Directors and those with significant shareholders, approval shall not required from the Board of Directors (although they must be reported to the General Secretary and Board of Directors) for related-party operations with Directors and related parties that also satisfy the following requirements: They are governed by standard form contracts applied on an across-the-board basis to a large number of clients; They go through at market prices, generally set by the person supplying the goods or services; They are transactions of little relevance, being understood to be those whose information is not required to express a faithful rendering of ENDESA assets, financial status and results. In any case, they may only be understood to be of little relevance if their amount is no more than one per cent of the ENDESA's annual revenues.

D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousand Euros)
Enel Iberia SRL	Asociación Nuclear Ascó-Vandellós II	Contractual	Services rendered	53
Enel Iberia SRL	ENDESA Distribución Eléctrica, S.L.	Contractual	Rendering of services	170
Enel Iberia SRL	ENDESA Distribución Eléctrica, S.L.	Contractual	Property, plant and equipment purchases	9
Enel Iberia SRL	ENDESA Financiación Filiales, S.A.	Contractual	Services rendered	72
Enel Iberia SRL	ENDESA Medios y Sistemas, S.L.	Contractual	Operating lease agreements	830
Enel Iberia SRL	ENDESA Medios y Sistemas, S.L.	Contractual	Rendering of services	335
Enel Iberia SRL	ENDESA Medios y Sistemas, S.L.	Contractual	Property, plant and equipment purchases	246,000
Enel Iberia SRL	ENDESA, S.A.	Contractual	Dividends and other distributions	989,347
Enel Iberia SRL	ENDESA, S.A.	Contractual	Management contracts	940
Enel, S.P.A.	Distribuidora Eléctrica Puerto de la Cruz, S.A.	Contractual	Management contracts	13
Enel, S.P.A.	EASA I	Contractual	Management contracts	16
Enel, S.P.A.	Empresa Carbonífera del Sur, S.A.	Contractual	Management contracts	25
Enel, S.P.A.	ENDESA Distribución Eléctrica, S.L.	Contractual	Management contracts	5,531
Enel, S.P.A.	ENDESA Distribución Eléctrica, S.L.	Contractual	Services rendered	1,759
Enel, S.P.A.	ENDESA Distribución Eléctrica, S.L.	Contractual	Purchase of finished goods and work in progress	85,478
Enel, S.P.A.	ENDESA Distribución Eléctrica, S.L.	Contractual	Rendering of services	131
Enel, S.P.A.	ENDESA Distribución Eléctrica, S.L.	Contractual	Property, plant and equipment purchases	1,785
Enel, S.P.A.	ENDESA Energía XXI, S.L.	Contractual	Management contracts	70
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Management contracts	3,188
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Finance Leases	106
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Services rendered	108
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Purchase of finished goods and work in	212,691
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Rendering of services	446
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Sale of finished goods and work in	39,424
Enel, S.P.A.	ENDESA Generación Portugal, S.A.	Contractual	Management contracts	26

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousand Euros)
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Purchase commitments	64,955
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Interest charged	869
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Management contracts	1,804
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Services rendered	1,720
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Purchase of finished goods and work in	33,842
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Interest charged	826
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Other	83
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Other	242,370
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Interest paid	494
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Rendering of services	1,522
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Sale of finished goods and work in	2,900
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Property, plant and equipment	103,911
Enel, S.P.A.	ENDESA Ingeniería, S.L.	Contractual	Management contracts	50
Enel, S.P.A.	ENDESA Ingeniería, S.L.	Contractual	Rendering of services	610
Enel, S.P.A.	ENDESA Medios y Sistemas, S.L.	Contractual	Management contracts	4
Enel, S.P.A.	ENDESA Medios y Sistemas, S.L.	Contractual	Services rendered	27,500
Enel, S.P.A.	ENDESA Medios y Sistemas, S.L.	Contractual	Rendering of services	97
Enel, S.P.A.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Management contracts	13
Enel, S.P.A.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	272
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Management contracts	38
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Services rendered	745
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Rendering of services	34
Enel, S.P.A.	ENDESA, S.A.	Contractual	Financing agreements: loans	3,000,000
Enel, S.P.A.	ENDESA, S.A.	Contractual	Interest charged	92,175
Enel, S.P.A.	ENDESA, S.A.	Contractual	Management contracts	4,289
Enel, S.P.A.	ENDESA, S.A.	Contractual	Services rendered	6,763
Enel, S.P.A.	ENDESA, S.A.	Contractual	Partnership agreements	629
Enel, S.P.A.	ENDESA, S.A.	Contractual	Rendering of services	2,309
Enel, S.P.A.	ENDESA, S.A.	Contractual	Property, plant and equipment	1,415
Enel, S.P.A.	Enel Green Power España, S.L.	Contractual	Management contracts	2,336
Enel, S.P.A.	Enel Green Power España, S.L.	Contractual	Services rendered	846
Enel, S.P.A.	Enel Green Power España, S.L.	Contractual	Rendering of services	8,759
Enel, S.P.A.	ENDESA, S.A.	Contractual	Interest paid	431
Enel, S.P.A.	Enel Green Power España, S.L.	Contractual	Other	115
Enel, S.P.A.	Gengas y Electricidad Generación, S.A.	Contractual	Management contracts	2,663
Enel, S.P.A.	Gengas y Electricidad Generación, S.A.	Contractual	Rendering of services	20
Enel, S.P.A.	International ENDESA B.V.	Contractual	Services rendered	120
Enel, S.P.A.	Enel GREEN POWER ESPAÑA, S.L.	Contractual	Interest charged	0
Enel, S.P.A.	ENDESA, S.A.	Contractual	Guarantees	114.000
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Purchase commitments	52.700

D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

D.5. Indicate the amount from related-party transactions. 0 (thousands of Euros).

D.6. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Directors shall take the necessary measures to avoid becoming involved in situations in which their interests, whether personally or on behalf of another party, may conflict with the corporate interest and their duties before the Company.

Specifically, under the duty to avoid situations of conflicts of interests, Directors shall be obliged to abstain from:

- > Undertaking transactions with the Company, with the exception of ordinary operations made under standard conditions for clients and that are of limited relevance, understood to be those whose information is not required to express a faithful rendering of the Company's equity, financial position and income.
- > Use the Company's name or rely on their status as Directors to unduly influence operations for their own account.
- > Use corporate assets, including confidential information belonging to the company, for private purposes.
- > Take advantage of the Company's business opportunities.

- > Obtain payments or benefits from third parties other than the Company and its Group associated with his/her position, with the exception of hospitality.
- > Perform activities on their own account or the account of others that represent effective competition, whether currently or potentially, with the Company or that in any other way place them in a permanent conflict with the Company's interests.

Directors must inform the Board of Directors, through the General Secretary, of any direct or indirect conflict of interest between them and the Company. Directors shall abstain from participating in the deliberation and voting on agreements or decisions in which he/she or a related person has a direct or indirect conflict of interests. Agreements or decisions that affect their capacity as Directors, such as their appointment to or removal from roles on the Board of Directors, its Committees and the Executive Committee, or other similar agreements or decisions shall be excluded from the aforementioned abstention.

In any case, conflicts of interests in which Company Directors find themselves shall be reported on pursuant to the law in force.

Directors shall perform their duties as a faithful representative, employing good faith and acting in the best interests of the Company, interpreted with full independence, and they will ensure at all times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.

The Directors, by virtue of their appointment, are obliged, in particular, to:

- > Refrain from using their powers for any other purpose than for which they were originally granted.
- > Perform their functions under the principle of personal responsibility with complete freedom and independence in terms of instructions from and links to third parties.
- > Comply with the general principles and criteria of conduct contained in the Company's Code of Ethics.

Furthermore, ENDESA has a Conflict of interests, exclusive service and commercial competition protocol, the purpose

of which is to regulate the actions that ENDESA employees must take in terms of exclusive service and commercial competition, and establish the rules to be applied in terms of conducts or situations that represent a direct or indirect potential conflict between the Company's interest and personal interests of any of its employees.

D.7. Is more than one group company listed in Spain?

No

Identify the listed subsidiaries in Spain.

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms to resolve possible conflicts of interest.

E. Risk control and management systems

E.1. Explain the scope of the risk management system in place at the company, including tax risk.

The Risk Management and Control Policy, approved by the Board of Directors and applied at ENDESA and all subsidiaries, involves guiding and directing all strategic, organizational and operating activities to enable the Board of Directors to identify precisely the acceptable risk level, with a view to the managers of the various business lines maximizing the Company's profit, maintaining or increasing its assets and equity and the certainty of this occurring above certain levels, preventing future uncertain events from undermining profit targets.

The Risk Management and Control Policy defines ENDESA's risk control system as an inter-linked network of legislation, processes, controls and IT systems, in which global risk is defined as the risk resulting from the consolidation of all risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, enabling the risk exposure of the Group's business areas and units to be consolidated and evaluated, and the corresponding management information to be drawn up for decision-making on risk and the appropriate use of capital.

The risk management and control model is based partly on the ongoing study of the risk profile, applying current best practices in the electricity sector or benchmark practices in risk management, criteria for standardizing measurements and the separation of risk managers and risk controllers. It is also based on ensuring that the risk assumed is proportional to the resources required to operate the businesses, always respecting an appropriate balance between the risk assumed and the targets set by the Board of Directors.

The comprehensive risk management process consists of the identification, measurement, analysis and monitoring of different risks, together with their monitoring and control over time, based on the following procedures:

- > Identification. The purpose of identifying risks is to maintain a prioritized and updated database of all the risks assumed by the corporation through coordinated and efficient participation at all levels of the Company.
- > Measurement. The purpose of measuring parameters that allow risks to be aggregated and compared is to quantify overall exposure to risk, including all of ENDESA's positions.
- > Control. The aim of the risk control is to guarantee that the risk assumed by ENDESA is in line with the targets set, in the last instance, by the Board of Directors of ENDESA, S.A.
- > Management. The purpose of risk management is to implement actions aimed at adjusting risk levels at each level of the Company to the set risk tolerance and predisposition.

This process sets out to secure an overview of risk to assess and priorities risks. It covers the main financial and non-financial risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors), set out on an annual map featuring the main risks identified and establishing regular reviews. To boost these initiatives, ENDESA's Board of Directors has also approved a Tax Risk Management and Control Policy to guide and direct strategic, organizational and operating activities to enable Tax Affairs employees and the different departments at the organization whose work involves the company's taxation, achieving the objectives set as part of the Company's Tax Strategy in terms of tax risk management and control.

E.2. Identify the bodies responsible for preparing and implementing the risk management system in place at the company, including tax risk.

Board of Directors. Responsible for determining the Risk Management and Control Policy, including tax issues, the supervision of the internal information and control systems

and the setting the Company's acceptable risk level at all times.

Audit and Compliance Committee. Its duties include:

1. Informing the Board of Directors of the Risk Management and Control Policy, including tax risks, for approval in addition to any amendments, ensuring that at least the following aspects are identified:

a) The different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational) that the Company is exposed to, including among financial or economic risks, contingent liabilities and other risks not on the balance sheet.

b) The determination of the risk level the Company sees as acceptable. c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off- balance sheet risks.

2. Monitor the effectiveness of the Company's internal controls and risk management systems. To this end, the Audit and Compliance Committee shall be responsible for the direct supervision of ENDESA's Risk Committee, which is internally responsible for the Risk Management and Control Policy. In this connection, it shall perform a periodic assessment of the internal Risk Management and Control function's performance.

3. Assess all aspects related to the Company's non-financial risks each year, including operating, technological, legal, social, environmental, political and reputational risks.

Risk committee. The body responsible for enforcing the Risk Management and Control Policy, supported by the internal procedures of the different business lines and corporate areas. Its main functions are as follows:

- > Regularly provide the Board of Directors with a comprehensive view of current and foreseeable risk exposure.
- > Ensure that senior management participates in strategic risk management and control decisions.

- > Ensure coordination between the risk management unit and units responsible for its control and compliance with the risk management and control policy and its internal procedures.

- > Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks regarding its management are appropriately identified, managed and quantified.

- > Actively participate in drawing up the risk strategy and in important decisions regarding its management.

- > Ensure that the risk control and management systems appropriately mitigate risk as part of the risk control and management policy.

The following functions are delegated to Risk Control by the Risk Committee in terms of managing and controlling risks at the company:

- > Define the procedures and standards that make it possible to coordinate the company's integrated risk control system;

- > Produce the documentation that makes it possible to report the company's risk exposure or any relevant risk management or control event to the Risk Committee or any other decision-making body;

- > Ensure the adequate identification, definition, management and quantification of all risks that affect the company in a homogenous and periodic manner.

- > Coordinate periodic assessments that make it possible to ensure the correct functioning of risk management and control systems.

Internal Control. Responsible for the implementation, update and monitoring of the system for internal control of financial reporting (ICFR), establishing the controls and procedures, as it sees fit, for ensuring the quality of the financial information that ENDESA makes public.

Business lines and corporate areas. All areas at the company, including the Tax Department, are directly involved in risk management. Its main responsibilities are:

- > Considering risk management as an integrated part of its undertakings each day, having implemented the risk management framework in a consistent and effective manner.
- > Ensuring that risk policies, risk management processes and internal controls associated with this line are implemented effectively pursuant to the principles and limits established.
- > Comprehensively identifying both risks that affect business performance and those that arise as part of its undertakings.
- > Supporting Risk Control in risk measurement and reporting tasks.
- > Ensuring that the segregation of functions established in the risk management framework is adhered to in such a way that it is guaranteed that effective controls are in place and their implementation does not create unnecessary inefficiencies.

Internal Audit. Continuously supervise the structure and functionality of the Internal Risk Management and Control System (SCIGR) and internally or externally validate the risk model.

E.3. Indicate the main risks, including tax risk, which may prevent the company from achieving its targets.

ENDESA is exposed to the following risk factors when carrying out its activities, as described in the Risk Management and Control Policy:

- > Financial or market risk: risk of fluctuations in prices and other market variables leading to changes in enterprise value or profits. These risks are classified as:
 - Interest rate risk
 - Currency risk
 - Commodity risk
 - Liquidity and financial risk
 - Counterparty risk
- > Business risk: this type of risk includes:

- Operational risk or industrial risk
- Environmental risk or Legal and tax risk
- Reputational risk
- Strategic and regulatory risk

E.4. Identify if the company has a risk tolerance level, including tax risk.

The businesses, corporate areas, and companies that form part of the Business Group establish the risk management controls required to ensure that transactions are performed in the markets in accordance with ENDESA's policies, principles and procedures and, in any case, respecting the following limits and rules:

- > Alignment of the risk levels with the objectives set by the Board of Directors.
- > Optimization of risk control and management from a consolidated perspective, giving the latter priority over individual management of each of the risk.
- > Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.
- > Continuous studying of laws, rules, current regulations, jurisprudence and legal doctrine, including tax laws, to guarantee that transactions are made in accordance with the principles that regulate the activity.
- > Respect for and compliance with internal regulations, with special focus on Corporate Governance, the Code of Ethics, the Zero Tolerance Plan Against Corruption and the General Principles for Criminal Risk Prevention.
- > Duty to preserve the health and safety of the people who work for and at ENDESA.
- > Commitment to sustainable development, efficiency and respect for the environment, identifying, assessing and managing the environmental effects of ENDESA's activities.
- > Responsible optimization of the use of available resources, in order to provide profitability for our shareholders as part of a relationship based on the principles of loyalty and transparency.

- > ENDESA's financial policies contemplate the active management of financial risk related to the ordinary operation of the Company. In general, speculative positions are restricted.
- > In terms of tax, the risk tolerance level is defined in the company's Fiscal Strategy approved by the Board of Directors and reflected in the Tax Risk Management and Control Policy. The Company is committed to satisfying current tax regulations, employing a reasonable interpretation thereof at all times and trying to avoid, following said interpretation, undue tax costs and inefficiencies for the company.

The objective of risk control is achieved through the following steps:

- > Definition of quantitative references that reflect ENDESA's strategy and its predisposition to risk (limits) and the monitoring thereof.
- > Identification and consideration of possible breaches of limits.
- > Establishment of actions, processes and information flows needed to allow for periodic review of limits in order to take advantage of specific opportunities arising from each activity.
- > If risk limits are exceeded, the appropriate corrective measures are suggested, using hedging, transfer (insurance) and mitigation mechanisms for manageable risk and, in the case of non-manageable risk, the contingency plans are assessed or the activity is halted.

E.5. Identify any risks, including tax risk, which have occurred during the year.

The risks that occurred during the year were inherent to the activity performed, such as constant exposure to regulatory, interest-rate, exchange-rate, volatility of fuel, credit or counterparty risk.

These risks remained within normal limits in proportion to the Company's activity, and the established control systems worked adequately.

In terms of cyber-security risk, the response to attacks suffered by ENDESA in 2017 was adequate and their impact was of little relevance.

E.6. Explain the response and monitoring plans for the main risks the Company is exposed to, including tax risk.

ENDESA has a risk identification system that allows regular assessment of the nature and magnitude of the risks that the organization is facing. The development of an integrated risk control and management process and, as part of it, a structured and standardized reporting system, has helped synergies to be obtained for the consolidation and comprehensive processing of risks and has allowed key indicators to be developed to detect potential risks and send early alerts. The comprehensive risk management process implemented in the Company establishes, inter alia:

- > Achieving a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility, through diversification of types of financial assets and liabilities and modifications to the risk exposure profile by arranging derivatives.
- > Contracting currency swaps and exchange rate insurance to mitigate currency risk. ENDESA also strives to balance cash collections and payments for its assets and liabilities in foreign currencies.
- > Exposure to fluctuations in commodity prices is managed long term through the diversification of contracts, management of the procurements portfolio by tying it to indexes that perform in a similar or comparable way to final electricity prices (generation) or selling prices (supply), and through periodic contractual renegotiation clauses, the objective of which is to maintain the economic equilibrium of procurements.
- > In the short term, liquidity risk is mitigated by ENDESA by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, drawable lines of credit and a portfolio of highly liquid assets.
- > ENDESA's liquidity policy consists of arranging committed long-term credit facilities with both banking entities and Enel Group companies and financial investments in

an amount sufficient to cover projected needs over a given period, based on the status and expectations of the debt and capital markets.

- > In addition, ENDESA develops the centralized cash function, drawing up cash forecasts to ensure it has sufficient cash to meet operational needs.
- > ENDESA performs very detailed monitoring of the credit risk and takes a series of precautions that include, inter alia: Risk analysis, assessment and monitoring of counterparty credit quality; Establishing contractual clauses, requesting collateral, requesting guarantees, or taking out insurance. - Exhaustive review of the level of counterparty exposure; Diversification of counterparties
- > There is one single defined environmental policy for all of ENDESA.
- > Prevention and protection strategies are in place to mitigate risks of breakdown or accidents that temporarily interrupt the operation of the plants.
- > In order to transfer certain risks, mitigating the effects if they occur, ENDESA attempts to obtain adequate insurance cover in relation to the main risks associated with its business – including, inter alia, damages to the Company itself, general civil liability, environmental and nuclear power plant liability.
- > ENDESA manages most of the tax obligations for ENDESA and its controlled companies in a centralized fashion. Therefore, it has developed procedures for each of the taxes that it manages. Besides describing the processes for properly paying taxes and performing quality control

regarding taxes paid, these processes include the appointment of a person responsible for the process and a person responsible for supervising it.

- > Due to the existence of different interpretations of applicable regulations, ENDESA relies on experts in the area to analyze them and it also relies on prestigious legal and tax advisors who collaborate in the interpretation of these regulations, which allows ENDESA to adapt its actions to legal requirements.
- > In order to have thorough, reliable knowledge of the status of audience opinion, ENDESA has social research tools used regularly and exclusively for the Company, and also information from studies of the same nature that are available to the public.
- > In terms of the supervision of tax risk and the corresponding response plans, the unit that handles tax affairs periodically identifies risks associated with the tax function, classifies them depending on the risk factor in question and the type of risk, before performing an economic assessment. Subsequently, they are managed accordingly with a view to eliminating or reducing the risk, and only assumed when it is considered that there are solid arguments to defend the stance taken. Risks are reported to the Risk Control Unit on a periodic basis for their inclusion in the company's Risk Map.
- > To combat the risk of cyber-security, a strategy has been deployed that is structured around a management framework aligned with international standards and government incentives that make it possible to protect information, industrial assets and emerging technologies.

F. Internal Control over Financial Reporting (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.

F.1. The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

Board of Directors

The Board of Directors of ENDESA is ultimately responsible for the existence and regular updating of an adequate and effective ICFR system. As stipulated in the Board of Directors' Regulations, this duty has been delegated in the Audit and Compliance Committee. The supervision of internal information and control systems is role of assigned to the Board of Directors that cannot be delegated and the Audit and Compliance Committee, as set out in Spain's Corporate Enterprises Act, is responsible for overseeing the efficiency of the Company's internal controls, in addition to other responsibilities.

Audit and Compliance Committee

ENDESA's Audit and Compliance Committee Regulations state that the main task of this Committee is to promote good corporate governance and ensure the transparency of all actions of the ENDESA in the economic and financial, external audit, compliance and internet audit areas.

The committee is entrusted with supervising the preparation and presentation of regulatory financial information and monitoring the efficacy of ENDESA's ICFR and risk management systems, as well as discussing with the auditors or audit firms any significant weaknesses detected in the internal control system during the course of the audit work.

It is also responsible for supervising internal audit services, monitoring its independence and efficacy, proposing the selection, appointment, reappointment and removal of the head of internal audit and receiving regular report-backs on its activities, and verifying that senior management are acting on the findings and recommendations of its reports.

Audit and Compliance Committee members are appointed in light of their knowledge and experience of accounting, audit or risk management.

Transparency Committee

In 2004, ENDESA set up a Transparency Committee, presided by the Chief Executive Officer and consisting of senior executives, including all members of the Executive Management Committee together with other members of ENDESA management directly involved in the preparation, certification and disclosure of financial information.

This Committee's main purpose is to ensure compliance with and the correct application of general financial reporting principles (confidentiality, transparency, consistency and responsibility) by evaluating the events, transaction reports and other matters of relevance disclosed and determining the manner and deadlines for making these disclosures.

The duties of the Transparency Committee also include assessing the findings submitted to it by ENDESA's

Administration, Finance and Control Department, based on the report prepared by ENDESA's Internal Control Unit with respect to compliance with and the effectiveness of the internal financial information controls and the internal controls and procedures concerning market disclosures, taking corrective and/or preventive action and reporting to the Audit and Compliance Committee of the Board of Directors in this respect.

Administration, Finance and Control Department

ENDESA's Administration, Finance and Control Department, in supporting the Transparency Committee, performs the following ICFR-related duties:

- > Proposing financial reporting policies to the Transparency Committee for approval.
- > Evaluating the effectiveness of the controls in place and how well they work, including any breaches of approved internal control policies.

Internal Control Unit

Within ENDESA's Administration, Finance and Control Department, there is a dedicated ICFR Unit tasked with the following duties:

- > Communicating approval of ICFR policies and procedures to ENDESA's various subsidiaries and business units.
- > Maintaining, updating and making the ICFR model and the documentation associated with procedures and controls available to the company.
- > Defining the flow charts for certifying the evaluation of the effectiveness of the controls and procedures defined in the ICFR model.
- > Overseeing the process of certifying internal controls over financial reporting and the internal disclosure controls and procedures, and submitting periodical reports on its conclusions with respect to the system's effectiveness.

All matters relating to internal control over financial reporting and the disclosure of financial information are regulated

in the organizational procedure No. 5 "Internal Control over Financial Reporting," the purpose of which is to establish the operating principles and lines of responsibility for the establishment and maintenance of internal controls over financial reporting and internal financial information disclosure controls and procedures in order to ensure their reliability and to guarantee that reports, events, transactions and other material developments are disclosed in an adequate form and timeframe. The ICFR system is evaluated and certified every six months.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- > **The departments and/or mechanisms in charge of:**
(i) the design and review of the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

Design of the organizational structure

The Board of Directors, through the CEO and the Appointments and Remuneration Committee (one of the Board's advisory committees), is responsible for the design and review of the organizational structure and for defining lines of responsibility and authority.

The CEO and the Appointments and Remuneration Committee establish the distribution of tasks and functions, ensuring adequate segregation of duties and coordination mechanisms among the various departments so that everything works as it should.

The Organizational and Human Resources Unit is tasked with designing, planning and disclosing the change management framework in the case of major organizational transformations, planning change programmes and the related resources and processes. It is also responsible for defining the guidelines for the Group's organizational structure and for relevant organizational changes. Lastly, the unit ensures the definition and implementation of the global job posts systems, evaluating the key professional functions and executive positions.

Corporate policy No. 26 "Organizational Guidelines" defines and establishes criteria for identifying, developing and implementing organizational guidelines, and also the evaluation and assessment of roles.

The various organizational guidelines are posted on ENDESA's Intranet and are available for viewing by all ENDESA employees.

- > **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

Code of conduct - Regulatory framework for ethics and compliance

ENDESA has the following internal regulations on ethics and crime prevention:

Code of Ethics

ENDESA has a Board-endorsed Code of Ethics which itemizes the ethical commitments and duties to which the professionals working for ENDESA and its subsidiaries, be they Directors or staff, no matter their positions, are bound in the course of managing these companies' business and corporate activities.

The Code of Ethics comprises:

- > The general principles governing relations with stakeholders that define ENDESA's benchmark business values.
- > The standards of conduct for dealing with all groups of stakeholders, enshrining the specific guidelines and rules which ENDESA professionals must adhere to in order to uphold the general principles and avoid unethical behavior.
- > The Implementation Mechanisms, describing the organizational structure of the Code of Ethics environment,

responsible for ensuring that all employees are aware of, understand and comply with the Code.

The principles and provisions of ENDESA's Code of Ethics must be respected and complied with by the members of the Board of Directors, the Audit and Compliance Committee and other governing bodies of ENDESA and its subsidiaries, as well as these entities' executives, employees and any other professionals related to ENDESA via contractual relationships of any type, including those working for or with them on an occasional or temporary basis.

The Code's general principles include that of "Information transparency and integrity", which stipulates that "ENDESA's professionals must provide complete, transparent, comprehensible and accurate information such that when entering a relationship with the Company the implicated parties can take independent decisions that are informed with respect to the interests at stake, the alternatives and the relevant ramifications".

Zero Tolerance Plan Against Corruption

The Board-approved Zero Tolerance Plan Against Corruption requires all ENDESA employees to be honest, transparent and fair in the performance of their work. The same commitments are expected of its other stakeholders, i.e. people, groups and institutions that help ENDESA meet its objectives or that are involved in the activities it performs in order to achieve its goals.

In compliance with Principle 10 of the Global Compact, of which ENDESA is a signatory, "Businesses should work against corruption in all its forms, including extortion and bribery", ENDESA expressly rejects all forms of corruption, direct and indirect, to which end it has an anti-corruption programme in place.

Criminal Risk Prevention Model

ENDESA's Criminal Risk Prevention Model, in place since 1 January 2012, is a control system for the purpose of preventing or significantly reducing the risk of criminal offences within the company, complying with the Spanish Criminal Code on criminal responsibility of legal persons.

According to current legislation, having adopted an appropriate and efficient prevention model, whose operation and supervision have been entrusted to a Company body with independent powers of initiative and control, could mean the Company being exempt from criminal responsibility with regard to a criminal offence.

The following protocols, which establish general criteria for action in different areas, form part of ENDESA's crime prevention model:

- > Conflict of interests protocol. Exclusive dedication and commercial competition.
- > Protocol for accepting presents, gifts and favours.
- > Protocol for dealing with public servants and the authorities.
- > **A 'whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.**

Whistle-blowing channel

ENDESA has had an Ethics Channel in place since 2005. This is accessible via its corporate website and intranet to all employees, so that all stakeholders can report, securely and anonymously, any irregular, unethical or illegal conduct which has, in their opinion, occurred in the course of ENDESA's activities.

The procedure for using this channel ensures confidentiality, as all complaints and communications are managed by an independent external supplier.

In addition to this Channel, a number of other channels are available for submitting complaints. These are all routed to Internal Audit, in accordance with ENDESA's internal procedures.

Internal Audit is responsible for ensuring that all complaints received are processed correctly, considering them and act-

ing independently of other company units. It has access to all company documents needed for the exercise of its functions. It also monitors the implementation of the recommendations included in its audit reports. Internal Audit reports to the Board of Directors through the Audit and Compliance Committee, which centralizes and channels significant complaints to the Board.

- > **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Training programmes

The Business Organization and Human Resources Department works together with the Administration, Finance and Control Department to prepare the training schedule for all staff involved in preparing the ENDESA's annual financial statements. This Plan includes ongoing updates on business trends and regulatory developments affecting the activities performed by the various ENDESA companies, specific IFRS skills courses and training regarding ICFR standards and developments.

In 2017, ENDESA's Administration, Finance and Control Department received 13,577 training hours, of which 32.37% were devoted to the acquisition, refreshment and recycling of financial skills and knowledge, addressing matters such as accounting and audit standards, internal controls, risk management and control and regulatory and business matters with which these professionals need to be familiar in order to properly draw up ENDESA's financial information. The rest of the training hours were earmarked to management skills, workplace health and safety matters and IT skills. Of these hours 11.83% were for language training and 31.72% for information technology.

In addition, whenever necessary, ENDESA provides specific training courses on financial reporting and control matters to staff outside the Administration, Finance and Control Department who are directly or indirectly involved in supplying information used in the financial reporting process.

F.2. Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

> The process exists and is documented.

Since 2005, ENDESA has had a formally organized ICFR.

> The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

The financial reporting risk identification and maintenance process covers the following financial information objectives:

- > Existence and occurrence.
- > Integrity.
- > Measurement/valuation.
- > Presentation, disclosure and comparability.
- > Rights and obligations

ENDESA's Internal Control Unit updates the ICFR relevant processes map to reflect any quantitative or qualitative change that may affect the internal control model.

The evaluation (in terms of probability and impact) of both inherent and residual risks is updated every time there is a change in processes or whenever a new company is included within the scope. This evaluation can result in the identification of new risks, which are mitigated by designing new controls or updating existing controls.

> A specific process is in place to define the scope of consolidation, with reference to the possible exist-

ence of complex corporate structures, special purpose vehicles, holding companies, etc.

Defining the scope of consolidation

ENDESA keeps a corporate register, which is permanently updated, with information on all its shareholdings, whether direct or indirect, including all entities over which ENDESA has the power to exercise control, regardless of the legal structure giving rise to such control (so that this register also includes holding companies and special purpose vehicles).

The management and updating of this corporate register is governed by corporate protocol N.035, entitled "ENDESA Corporate Records Management."

ENDESA's scope of consolidation is determined on a monthly basis by the Administration, Finance and Control Department based on the information available in the corporate records and in accordance with the criteria stipulated by International Financial Reporting Standards (hereinafter "IFRS") and other local accounting regulations. All ENDESA companies are informed of any changes to the scope of consolidation.

> The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

Furthermore, the financial reporting risk identification and maintenance process also factors in the impact that the other risk factors pinpointed in the risk map may have on the financial statements (primarily operational, regulatory, legal, environmental, financial and reputational).

> Finally, which of the company's governing bodies is responsible for overseeing the process.

The Audit and Compliance Committee is tasked with overseeing the effectiveness of ENDESA's ICFR and informing the Board of Directors accordingly. To this end, recommendations or proposals may be submitted to the Board of Directors, along with the corresponding follow-up period.

F.3. Control activities

Indicate the existence of at least the following components, describing their main characteristics.

F3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Procedures for reviewing and authorizing the financial information and description of ICFR

ENDESA discloses financial information to the market quarterly. This information is prepared by the Management Area, which performs certain controls as part of the closing of accounts procedure in order to ensure the reliability of the information disclosed.

In addition, the Planning and Control Area analyses and monitors the information produced.

The General Manager of Administration, Finance and Control analyses the reports received, provisionally certifying the aforementioned financial information for submission to the Transparency Committee.

The Transparency Committee itself for half years, and the representatives designated by the Transparency Committee for quarters, analyze the information received from the Administration, Finance and Control Department. Once it approves the information received, it is sent to the Audit and Compliance Committee.

The Audit and Compliance Committee oversees the financial information presented to it. For the accounting closes that coincide with the end of a six-month financial

period, and those of particular importance, the Audit and Compliance Committee also receives information from ENDESA's external auditor on the results of the work it has performed.

Lastly, the Audit and Compliance Committee presents its conclusions regarding the financial information presented to it to the Board of Directors. Once the Board has approved the information for issue, it is disclosed to the market.

Internal Control over Financial Reporting Model

ENDESA's ICFR model is in line with the model established for all Enel Group companies, which is based on the COSO Model (The Committee of Sponsoring Organizations of the Treadway Commission).

Firstly, there are Management Controls or "Entity Level Controls" (hereinafter "Management Controls" or "ELC") and "Company Level Controls" (hereinafter "CLC"). The structural elements are interrelated across all divisions/companies.

There are also specific ELC controls to mitigate the risk of Segregation of Duties (hereinafter "SOD-specific ELC") and access controls (hereinafter "ELC-ACCESS") that mitigate the risk of unauthorized access to the software applications or network folders involved in the process.

In application of the Enel Group model, ENDESA has identified the following business cycles at the process level common to all its subsidiaries:

- 1) Fixed assets
- 2) Accounting close
- 3) Capital investments
- 4) Finance
- 5) Inventory
- 6) Personnel Expenses
- 7) Procurement cycle
- 8) Revenue cycle
- 9) Taxes other than income tax

The ICFR unit manages and continuously updates documentation on each process, following the methodology established to this end. All organizational changes imply the need to review the control model in order to assess

their impact and make any changes required to ensure operational continuity. The primary components of each process are:

- > Risks.
- > Control activities. Also called "Process Level Controls" (hereinafter "PLC"), except for the specific case of IT systems, which are called IT General Controls (hereinafter "ITGCs").

The control activities ensure that, in the ordinary course of business and in respect of all consolidated financial statement headings, ENDESA's control targets are met.

The internal control model applied in 2017 involves an average level of coverage of 95.3% of the main consolidated financial statement headings (total assets, indebtedness, pre-tax income and results).

All information relating to the internal control model is documented in the IT tool called SAP-GRC PROCESS CONTROL (hereinafter SAP-GRC). The persons responsible for the control activity (the Control Owners) are appointed by the process managers, and are responsible for carrying out the six-monthly self-assessments.

The Internal Control Unit provides those responsible for processes and controls with the support required and ensure that the assessment process proceeds correctly.

The ICFR assessment process includes:

- > The certification of the internal control system, covering the following phases:
 - Self-assessment of Control Activities (PLC).
 - Self-Assessment of Management Controls (ELC/CLC).
 - Sign-off from the people responsible at the different Organisational Units involved, escalated throughout the company's hierarchy through to sign-off by the CEO.

All of these phases are monitored and supported by the Internal Control Unit. ?

- > The verification performed by the external consultant on ENDESA's ICFR controls.

The outcome of the internal control system certification and the results obtained as part of the verification performed by the external consultant are included in the report from ICFR.

The weaknesses detected are classified into three categories as follows, depending on their possibility of impact on financial statements:

- > Control weaknesses (insignificant)
- > Significant weaknesses
- > Material weaknesses

All weaknesses detected in the internal control system result in a specific action plan being drawn up to resolve each of them. The Internal Control Unit reports to the Transparency and Audit and Compliance Committees on these weaknesses detected in the ICFR until they are definitively resolved.

F3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Global ICT area is responsible for the IT and telecommunications systems for all ENDESA's businesses and geographic markets.

The duties attributed to Global ICT include the definition, application and monitoring of the security standards and the development and operation of infrastructure and software, both for traditional models and for the new cloud computing paradigm. All computing activities are performed applying the internal control method in the field of information technologies.

ENDESA's internal control model and, in particular, Global ICT's model, encompass the IT processes, which in turn include the IT environment, architecture and infrastructure, and the applications, which affect transactions with a direct impact on the entity's key business processes and, ultimately, its financial information and reporting processes. These controls can be implemented by means of automated pro-

gramming or using manual procedures. ENDESA has an global internal control model for all key IT systems used in preparing financial information, which is designed to guarantee the overall quality and reliability of the financial information produced at each close and, by extension, the information disclosed to the market.

The IT system internal control model is structured into four areas of governance:

- > Planning and Organization
- > Solution and Maintenance
- > Service Delivery and Support
- > Performance Monitoring

These areas are in turn developed as part of processes and sub-processes with the necessary refinements to guarantee an appropriate level of control of the IT system and ensure the integrity, availability and confidentiality of each company's financial information.

ENDESA's internal IT system control model contains the control activities needed to cover the risks intrinsic to the following IT system management aspects, and financial information processes and systems:

- > IT environment
- > Management of application changes
- > IT operations and management
- > Logical security and physical access
- > Telecommunications

To ensure the security of its information, in 2007, ENDESA set up its Information Security function, currently integrated into the Security Division of the Media Department, in response to requirements dictated by legislation, the technological environment and the market itself. This is based on the regulatory framework established for information security, whose guiding principles are included in the Security Policy (Policy 40), in the Information Protection and Classification Policy (Policy 33) and the IT Systems Access Control Policy (Policy 111).

The Security Policy establishes the organizational framework for managing the security risks to which the compa-

ny's tangible and intangible assets and people resources are exposed, determining the implementation of technical and organizational measures needed for their control and management.

The objectives of this are:

- > The protection of employees from risks of an intentional nature or risks derived from natural disasters.
- > The observance of current safety standards, laws and regulations.
- > Protection of IT infrastructure and software, industrial automation systems and control systems.
- > Protection of tangible resources (work places, the company's infrastructure systems) from threats that could affect their value or compromise their functional capacity.
- > Ongoing safeguarding of information and data from unauthorized alteration (integrity); unauthorized access (confidentiality); and accidental or intentional damage that might affect their use by authorized users (availability); ensuring that the person responsible for the information or provision of a service (and their counterparty) are who they say they are (authentication); and that it is always possible to know who has carried out any action affecting the information and when (auditability).

The IT Systems Access Control Policy (Policy 111) is also in place, which sets out guidelines and establishes the control model for the management of access to IT systems and applications, reducing the risk of fraud or involuntary access to Group information and safeguarding the confidentiality, accuracy and availability thereof.

In 2007, ENDESA set up a Decision Rights Management function (currently known as Segregation of Duties, part of the Internal Control Unit) to guarantee the identification, management and control of functional incompatibilities and ensure that no single person can dominate a critical process.

In terms of the foregoing, Function Segregation Controls (SOD-specific ELC) and logical access controls (ELC-AC-

CESS) form part of the ICFR and are assessed and verified just like all the other controls that form part of the model.

F3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

When ENDESA outsources an activity involving the issue of financial information, it requires the supplier to provide a guarantee attesting to the internal control measures in place for the activities performed. When processes are outsourced, service providers are asked to obtain an ISAE 3402 "International Standard on Assurance Engagements" report. When IT infrastructure services are delegated (Datacenter and Hardware), service providers are required by contract to obtain an SOC1/SSAE16 report. These reports allow ENDESA to check whether the service provider's control objectives and activities have worked during the corresponding time horizon. In other instances, such as services to delegate software or IT platforms, ENDESA contracts an independent expert to certify that the services do not present any material shortcoming with respect to the process of generating the ENDESA's consolidated financial statements.

When ENDESA engages the services of an independent expert, it first assures itself of their legal and technical competence and skills. ENDESA has control activities in place in respect of independent expert reports, as well as staff with the ability to validate the reasonableness of the report findings.

There is also an internal procedure for hiring external advisors, which stipulates a series of clearances depending on the size of the engagement, which may even call for CEO approval. The results and/or reports of outsourced accounting, tax or legal activities are supervised by the Administration, Finance and Control Department and the Legal Counsel Department along with any other areas whose expertise is deemed of value to this end.

F.4. Formation and communication

Indicate the existence of at least the following components, describing their main characteristics.

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

Responsibility for application of ENDESA's accounting policies for all its geographic markets is centralized in ENDESA's Administration, Finance and Control Department.

ENDESA's Administration, Finance and Control Department has an Accounting Criteria and Reporting Unit which is specifically responsible for analyzing the International Financial Reporting Standards (hereinafter, "IFRS") and the Spanish Chart of Accounts (GAAP) as they impact ENDESA Group companies. In performance of these functions, the Accounting Criteria and Reporting Unit is responsible for:

- > Defining ENDESA's accounting policies.
- > Analyzing executed and planned transactions to determine the appropriateness of their accounting treatment in line with ENDESA's accounting policies.
- > Monitoring the new standards being worked on by the International Accounting Standards Board (hereinafter "IASB") and the Instituto de Contabilidad y Auditoría de Cuentas (hereinafter "ICAC"), any new standards approved by the IASB and the related European Union endorsement process, assessing the impact their implementation will have on the Group's consolidated financial statements at different levels.
- > Resolving any query made by any subsidiary regarding application of ENDESA's accounting policies.

The Accounting Criteria and Reporting Unit keeps all those with financial reporting responsibilities at the various levels within ENDESA abreast of amendments to accounting standards, settling any doubts they may have and gathering the required information from subsidiaries to ensure consistent application of ENDESA's accounting policies and to enable it to quantify the impact of application of new or amended accounting standards.

ENDESA's accounting policies are based on IFRS and are documented in the "ENDESA Accounting Manual." This document is updated regularly and is distributed to the parties responsible for preparing the financial statements of all ENDESA companies.

F4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

ENDESA has a series of IT tools (classified internally as relevant for the purposes of ICFR) to cover all the reporting needs of its individual financial statements in addition to facilitating the consolidation process and subsequent analysis. These tools form part of a homogeneous process, under a single audit plan for the information corresponding to the separate financial statements of all ENDESA subsidiaries, including the notes and additional disclosures needed to prepare the annual financial statements.

Each year, ENDESA engages an independent expert to certify that the tools do not present any material shortcoming with respect to the process of generating ENDESA's consolidated financial statements.

The data is uploaded into this consolidation system by a process that begins with the loading of Financial Information System (transactional), which is also centralized and in place in virtually all ENDESA companies. In turn, the ICFR model is supported by a IT system that produces all the information needed to draw conclusions with respect to effectiveness of the model.

F.5. Monitoring

Indicate the existence of at least the following components, describing their main characteristics.

F5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Every six months, the Administration, Finance and Control Department's Internal Control Unit monitors the process by which the design and functioning of the ICFR system is evaluated and certified. It duly reports its findings to the Transparency Committee, which is the body responsible for ensuring adequate internal control of the information disclosed to the market.

To this end, the Internal Control Unit is supplied with the evaluation of the entity/company, process and IT control (ELCs/CLCs, PLCs and ITGCs, respectively) in order to verify:

- > In the event of process changes, whether the identification of control activities has been duly updated and the new control activities sufficiently cover the process control risks.
- > Whether all weaknesses in the control system design or functioning have been detected. A weakness refers to an incident which implies that the control system may not be able to guarantee with reasonable assurance the ability to acquire, prepare, summaries and disclose the Company's financial information.

- > Whether the actual/potential impact of the aforementioned weaknesses has been evaluated and any required mitigating control activities put in place to guarantee the reliability of the financial information, notwithstanding the existence of these weaknesses.
- > The existence of action plans for each weakness identified.

In the course of this process, any incidents of fraud, no matter how insignificant, involving managers or staff participating in processes with a financial reporting impact are identified and reported.

In addition, over the course of the year, progress on the actions plans put in place by ENDESA to address any shortcomings identified previously. These plans are defined by those responsible for each process and shared with the Internal Control Unit.

The Transparency Committee is informed of and certifies the evaluation of the model, the assessment of weaknesses and the status of related action plans twice a year.

Lastly, every six months, the Administration, Finance and Control Department presents the Audit and Compliance Committee with its conclusions with respect to the evaluation of the ICFR system and progress on executing the action plans deriving from earlier evaluations.

The half-yearly evaluations carried out in 2017 revealed no material ICFR weaknesses. The following is a list of the number of controls evaluated and reviewed by the external consultant:

- > *Total Controls:* 2,406 Assessed and 404 Revised by the external consultant.
- > *Controls:* 2,219 Assessed and 403 Revised by the external consultant, of which:
 - *PLC Controls:* 2,073 Assessed and 377 Revised by the external consultant.
 - *ELC/CLC Controls:* 130 Assessed and 23 Revised by the external consultant, of which SOD-specific ELC controls accounted for: 55 Assessed and 23 Revised

by the external consultant and the Remaining ELC/CLC: 75 Assessed.

- *ELC Controls - ACCESS:* 16 Assessed and 3 Revised by the external consultant.

- > *ITGC general controls:* 187 Assessed.

As a result of both the self-assessment process and the review carried out by the external consultant, 20 control weaknesses that do not significantly affect the quality of the financial information were identified, and 3 insignificant weakness relating to ITGC general controls. In keeping with the foregoing, ENDESA's management believes that the ICFR model for the period 1 January to 31 December 2017 proved effective and that the controls and procedures in place to provide reasonable assurance that the information disclosed by the Group to the market is reliable and adequate are similarly effective.

Furthermore, ENDESA's Internal Audit Unit, whilst performing process audits, identifies the main weaknesses in the internal control system, proposing the action plans required to resolve them, those responsible for implementing them and the corresponding period for following up.

F5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Each year, the Board of Directors holds a meeting with the external auditor to receive information on the work performed and the financial position of and risks faced by the Company.

ENDESA's auditor has access to ENDESA Senior Management, to which end it holds regular meetings in order to gather the information needed to perform its work and to notify any control weaknesses encountered in the course of its work.

The Audit and Compliance Regulation also establishes among its competences: To review, analyze and discuss on an on-going basis the financial statements and other non-financial information related to the management, internal audit, external auditor or, as the case may be, audit firm, as applicable.

F.6. Other relevant information

All of ENDESA's material ICFR disclosures are covered in the preceding sections of this report.

F.7. External auditor report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Pursuant to CNMV Circular 7/2015 of 22 December, ENDESA has included in its 2017 Annual Corporate Governance Report a description of the main features of its internal control and risk management systems with regard to statutory financial reporting, following the structure proposed in the aforementioned Circular.

In addition, ENDESA has considered it appropriate to ask its external auditor to issue a report on its review of the information disclosed in this ICFR report in accordance with the pertinent professional conduct guide.

G. Degree of compliance with corporate governance recommendations

Indicate the degree of the Company's compliance with the recommendations of the Good Governance Code for Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Not applicable

3. During the general shareholders' meeting, in addition to the written dissemination of the annual corporate governance report, the chairman of the Board of Directors verbally informed the shareholders, in sufficient detail, about the most relevant aspects of the Company's corporate governance and, in particular:

a) About the changes that had occurred since the last general shareholders' meeting.

b) About the specific reasons why the Company does not follow some of the recommendations in the Corporate Governance Code and about the alternative rules it applies, if any, in that area.

Compliant

4. The Company should define and promote a policy of communication and contact with shareholders, institutional investors and vote advisors that fully respects rules against market abuse and treats shareholders in the same position in a similar fashion.

And the Company should make the policy public on its website, including information relating to the way in which the same has been put into practice and identifying the parties responsible for it.

Compliant

5. The Board of Directors should not submit a proposed proxy for issuing shares or convertible bonds with the exclusion of pre-emptive rights to the general shareholders' meeting, for an amount higher than 20% of the capital at the time of the proxy.

And when the Board of Directors approves any issue of shares or convertible bonds with exclusion of pre-emptive rights, the Company should immediately publish on its website the reports on that exclusion referred to by commercial legislation.

Compliant

6. Listed companies that draw up the following reports, whether of a compulsory or voluntary nature, should publish them on their website sufficiently in advance of the general shareholders' meeting, although their dissemination is not compulsory:

- a) Report on the independence of the auditor.
- b) Reports on the operation of the audit and appointment and remuneration committees.
- c) Audit committee's report on related-party transactions.
- d) Report on the corporate social responsibility policy.

Compliant

7. The Company should broadcast the general shareholders' meetings live on their website.

Compliant

8. The audit committee should ensure the Board of Directors tries to present the annual accounts to the general shareholders' meeting without limitations or reservations in the audit report. Should such reservations exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

9. The Company should publish on its website, permanently, the requirements and procedures that it will accept for certifying ownership of shares, the right to attend the general shareholders' meeting and exercising or delegating the right to vote.

And those requirements and procedures should favour the shareholders attending and exercising their rights and be applied in a non-discriminatory fashion.

Compliant

10. When a legitimated shareholder has exercised the right, before the general shareholders' meeting, to com-

plete the agenda or submit new proposed resolutions, the Company:

a) Immediately disseminates these additional points and new proposed resolutions.

b) Publishes the attendance, remote voting and proxy card model with the precise amendments so that the new points on the agenda and alternative proposals may be voted on under the same terms as the proposals made by the Board of Directors.

c) Submits all of these points and alternative proposals to voting and applies the same voting rules to them as to those made by the Board of Directors, including, in particular, the presumptions or deductions on voting.

d) Subsequent to the general shareholders' meeting, announce the breakdown of the voting on these additional points or alternative proposals.

Not applicable

11. If the Company has planned to pay premiums for attendance at the general shareholders' meeting, a general policy on those premiums should be established in advance and the policy should be stable.

Not applicable

12. The Board of Directors should perform its duties with a single purpose and independent criteria, treat all shareholders in the same position in the same manner and be guided by the Company's interests, understood to be achieving a profitable and sustainable business in the long term, which promotes its continuity and the maximum financial value for the Company.

Pursuing the Company's interests, besides respecting laws and regulations and conduct based on good faith, ethics and respect for commonly accepted customs and good practices, it should try to conciliate the Company's interests with, as applicable, the legitimate interests of its employees, its providers, its

clients and those of the remaining stakeholders that may be affected, and also the impact of the Company's activities on the community as a whole and on the environment.

Compliant

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise between five and fifteen members.

Compliant

14. The Board of Directors should approve a policy for selecting directors that:

a) Is precise and attestable.

b) Ensures that the proposed appointments or re-elections are based on prior analysis of the needs of the Board of Directors.

c) Encourages diversity of gender, experience and knowledge.

The result of the prior analysis of the needs of the Board of Directors should be contained in the appointments committee's report that is published when the general shareholders' meeting to which the ratification, appointment or re-election of each director is submitted is called.

The policy for selecting directors should promote the goal of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

The appointments committee will check compliance with the policy for selecting directors annually and will report on it in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should occupy an ample majority of places on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity

of the corporate group and the ownership interests they control.

Compliant

16. The percentage of proprietary directors of the total non-executive directors should not be greater than the proportion between Company capital represented by those directors and the rest of the capital.

This criterion may be minimized:

a) In large cap companies where few equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

Compliant

17. The number of Independent Directors should represent at least half of all board members.

Nonetheless, when it is not a large cap company or when it is but has one or several shareholders acting in a concerted manner, who control more than 30% of the company capital, the number of independent directors should represent, at least, a third of the total directors.

Compliant

18. Companies should publish the following Director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Other boards of directors they belong to, whether listed companies or not, and also other paid activities they perform, whatever their nature.

c) An indication of the Director's classification as Executive, Proprietary or Independent; in the case of Proprietary Directors, stating the shareholder they represent or have links with.

d) The date of their first appointment and subsequent re-elections as a company Director.

e) Shares held in the company, and any options on the same, that they own.

Compliant

19. The annual corporate governance report should, after verification by the appointments committee, also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Not applicable

20. Proprietary directors should resign when the shareholders they represent transfer their equity stake in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Directors, the latter's number should be reduced accordingly.

Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director takes on new roles or new obligations that prevent him or her from dedicating the time required for performing the duties of the role of director, is in breach of his or her fiduciary duties or comes under one of the grounds that disqualify him or her from being independent, in accordance with what is established in applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 16.

Compliant

22. Companies should establish rules obliging directors to inform the board of directors of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

And the moment a Director is indicted or tried for any of the crimes stated in company law, the Board of Directors should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board of Directors should also disclose all such determinations in the annual corporate governance report.

Compliant

23. All directors should express clear opposition when they feel a proposal submitted for the board of directors' approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interests should challenge any decision that could go against the interests of shareholders lacking representation on the Board of Directors.

When the board of directors makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this recommendation should also apply to the secretary of the board of directors, whether a director or otherwise.

Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Compliant

25. The appointments committee should ensure that non-executive directors have enough time to properly perform their duties.

The Board of Directors' Regulations should establish the maximum number of boards of directors that its directors may sit on.

Compliant

26. The board of directors should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may individually propose the addition of other items.

Compliant

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. And, when necessary, they should delegate with instructions.

Compliant

28. When directors or the secretary express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

29. The company should establish suitable channels for directors to obtain the advice and guidance they need to carry out their duties including, if required by the circumstances, external assistance at the company's expense.

Compliant

30. Regardless of the knowledge required of the directors for exercising their duties, the companies should also offer directors refresher programmes when circumstances so advise.

Compliant

31. The agenda should clearly indicate those points on which the board of directors has to adopt a decision or agreement so that the directors may study or gather, in advance, the information required to make such decisions.

When, exceptionally, in urgent cases, the chairman wants to submit decisions or agreements that are not on the agenda to the board of directors for approval, prior and express consent will be required from the majority of directors present, which will be duly recorded in the minutes.

Compliant

32. Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the company and its group.

Compliant

33. The chairman, as the party responsible for the efficient operation of the board of directors, besides exercising duties that are attributed to him or her by law and the bylaws, should draw up and submit a calendar and agenda to the board of directors; organize and coordinate the regular evaluation of the board and also, where applicable, of the company's chief executive officer; be responsible for managing the board and its effective operation; ensure that sufficient time is spent on the discussion of strategic matters, and agree on and review refresher programmes for each director, when circumstances so advise.

Compliant

34. When there is a coordinating director, the bylaws or board of directors' regulations should attribute to him or her, besides the powers corresponding by law, the following duties: presiding over the board of directors in the absence of the chairman and the vice chairmen, if there are any; echoing the concerns of the non-executive directors; maintaining contact with investors and shareholders to learn their points of view for the purpose of forming an opinion regarding their concerns, in

particular, in relation to the company's corporate governance; and coordinating the plan for the succession of the chairman.

Compliant

35. The secretary of the board of directors should especially ensure that the board of directors take the good governance recommendations contained in this good governance code into account when they are applicable to the company.

Compliant

36. The board of directors, in plenary session, should evaluate and adopt, where applicable, an action plan once a year to correct deficiencies detected with regard to:

a) The quality and efficiency of the functioning of the board of directors.

b) The operation and composition of its committees.

c) Diversity in the composition and powers of the board of directors.

d) The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.

e) The performance and contribution of each director, paying special attention to the managers of the board's different committees.

The evaluation of the different committees will be based on the reports they submit to the board of directors and the latter will be evaluated based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in carrying out an assessment by an independent external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company in its group maintains with the company or any group company must be listed in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

Compliant

37. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board of directors itself. The secretary of the board should also act as secretary to the executive committee.

Compliant

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all members of the board of directors should receive a copy of the executive committee's minutes.

Not applicable

39. The members of the audit committee and, especially, its chairman should be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Compliant

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function and ensures the proper operation of internal reporting and control systems and that reports to the non-executive chairman of the board or of the audit committee.

Compliant

41. The head of the unit that assumes the internal audit function should present an annual work programme to the audit committee; directly report any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

42. Besides those set out in law, the following duties correspond to the audit committee: 1. With respect to internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, check for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

b) To strive for the independence of the unit that assumes the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan to ensure the activity is primarily focused on relevant risks for the company; receive regular information on its activities; and verify that senior management takes into consideration the conclusions and recommendations of its reports.

c) To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect of the external auditor:

a) To investigate the issues giving rise to the resignation of any external auditor.

b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.

c) To oversee that the company reports, as a material fact, to the Spanish Securities Market Commission (CNMV) the change of auditor and accompanies it with a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.

d) To ensure that the external auditor maintains an annual meeting with the board of directors, in plenary session, to inform it regarding the work performed and the financial position of and risks faced by the company.

e) To ensure that the company and the external auditor adhere to current regulations on the provision of

non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on the independence of the auditors;

Compliant

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

44. The audit committee should be informed of any transactions that would implement structural and corporate changes that the company aims to make for their analysis and a preliminary report to the board of directors on their economic conditions and their accounting impact and, especially, where applicable, on the proposed exchange ratio.

Compliant

45. Control and risk management policy should specify at least:

a) The different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational) that the company is exposed to, including among financial or economic risks, contingent liabilities and other risks not on the balance sheet.

b) The determination of the risk level the company sees as acceptable.

c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant

46. Under the direct supervision of the audit committee or, where applicable, of a specialist committee of

the board of directors, there should be an internal risk control and management function exercised by one of the company's internal units or departments that has expressly been entrusted with the following duties:

a) Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks that affect the company are appropriately identified, managed and quantified.

b) Actively participate in drawing up the risk strategy and in important decisions regarding its management.

c) Ensure that the risk control and management systems appropriately mitigate risk as part of the policy defined by the board of directors.

Compliant

47. The members of the appointments and remuneration committee —or the appointments committee and the remuneration committee, if they are separate— should be appointed ensuring that they have the appropriate knowledge, aptitude and experience for the functions that they are called upon to perform and the majority of those members should be independent directors.

Compliant

48. Large cap companies should have a separate appointments committee and remuneration committee.

Explain

The ENDESA Board of Directors consists of 11 members, 5 of whom are independent. Following the recommendations in the Code of Good Governance, most members of the Appointments and Remuneration Committee (comprised of six members) are independent. Specifically, all independent members of the Board (five) sit on this Committee.

The decision has been taken not to separate the current Appointments and Remuneration Committee into two different committees (an appointments committee and a remuneration committee) as their composition would be practically identical, made up of the five independent directors.

49. The Appointments Committee should consult with the Chairman of the Board of Directors and the company's Chief Executive Officer, especially on matters relating to executive directors.

Any board member should be able to suggest directorship candidates to the appointments committee for its consideration.

Compliant

50. The remuneration committee should exercise its functions independently and, besides the functions attributed to it by law, should also have the following duties:

a) To propose the standard conditions for senior officer employment contracts to the board of directors.

b) To check compliance with the remuneration policy set by the company.

c) To regularly review the remuneration policy applied to directors and senior management, including systems of remuneration in shares and its application, and also guarantee that their individual remuneration is proportionate to that paid to the other company directors and senior management.

d) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee.

e) To verify information regarding remuneration of directors and senior executives provided in various corporate documents, including the annual report on remuneration of directors.

Compliant

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

52. The rules for the composition and operation of the supervision and control committees should be in the

board of directors' regulations and should be consistent with those applicable to the commissions that are applicable by law in accordance with the above recommendations, including:

a) They should be exclusively comprised of non-executive directors, and the majority should be independent directors.

b) Committees should be chaired by an independent director.

c) The board of directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and should report on their activity to the first board plenary following their meetings and should answer for the work done.

d) The committees may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Minutes should be taken of their meetings and should be available to all directors.

Compliant

53. One or several committees of the board of directors should be responsible for supervising compliance with the corporate governance rules, with internal codes of conduct and with the corporate social responsibility policy; these may be the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organization, decides to create for the purpose, which will have the following specific minimum duties:

a) Supervision of compliance with the internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communications strategy and relationships with shareholders and investors, including small and medium shareholders.

c) Regular assessment of the suitability of the company's corporate governance system, so that it complies with its mission of promoting social interest and takes into account, as applicable, the legitimate interests of the other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring it is aimed at creating value.

e) Monitoring the corporate social responsibility strategy and practices and assess compliance therewith.

f) Supervision and assessment of the engagement processes for different interest groups.

g) Assessment of all aspects related to the company's non-financial risks – including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.

Compliant

54. The corporate social responsibility policy should include the principles or commitments that the company assumes voluntarily in its relationship with the different stakeholders and should identify at least:

a) The goals of the corporate social responsibility policy and the development of support instruments.

b) Corporate strategy relating to sustainability, the environment and social matters.

c) Specific practices in matters relating to: shareholders, employees, clients, providers, social matters, environment, diversity, tax obligations, respect for human rights and prevention of illegal conduct.

d) The methods or systems for monitoring the results of applying the specific practices indicated in the previous letter, the associated risk and management of the same.

e) Mechanisms for supervising non-financial risk, ethics, and business conduct.

f) Channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

55. The company should report, in a separate document or in the management report, on matters relating to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant

56. The remuneration of the directors should be as necessary to attract and retain directors of the desired profile and to remunerate the dedication, qualification and responsibility that the role requires, but not so high that it compromise the non-executive director criteria of independence.

Compliant

57. Variable remuneration linked to the company's performance and personal performance, in addition to remuneration comprising the delivery of shares, share options, rights to shares or other share-based instruments, and long-term savings systems such as pension plans, retirement systems and other social benefit systems should be confined to executive directors.

The delivery of shares may be contemplated as remuneration for non-executive directors when they are obliged to retain them until the end of their tenure. The above will not be applicable to shares that the directors has to sell to satisfy costs related to their acquisition.

Compliant

58. In the case of variable remuneration, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, in particular, with regard to the variable components of the remuneration:

a) They should be related to pre-determined and measurable performance criteria and those criteria should consider the risk assumed to obtain a result.

b) They should promote the sustainability of the company and include non-financial criteria that should be appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) They should be based on balance between compliance with objectives in the short, medium and long term, which allow performance to be remunerated for continued effort over a long enough period of time for their contribution to the creation of sustainable value to be appreciated, so that the elements for measuring this performance do not only revolve around specific, occasional or special events.

Compliant

59. Payment of a relevant part of the variable components of the remuneration should be a deferred for a sufficient minimum period to check that previously established performance conditions have been met.

Compliant

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

61. A relevant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or share-based financial instruments.

Compliant

62. Once the shares or options or rights to actions corresponding to the remuneration systems have been attributed, the directors may not transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or

rights until, at least, three years after they were attributed.

The above will not be applicable to shares that the directors has to sell to satisfy costs related to their acquisition.

Not applicable

63. Contractual agreements should include a clause that allows the company to claim a refund of variable components of remuneration when the payment was not adapted to performance conditions or when they were paid based on data which later proved to be incorrect.

Compliant

64. Payments for termination of contract should not exceed a set amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to check that the director has complied with the previously established performance criteria.

Partially compliant

The contractual conditions of current directors are prior to this recommendation. However, ENDESA's Directors' Remuneration Policy establishes that when new directors are incorporated into Senior Management at the Company or Group, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the executive director contracts.

H. Other information of interest

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption.

Note section A.3

Section A.3 establishes the number of shares in the Company that Directors held at 31 December 2017. However, it must be noted that the Chairman, Mr Borja Prado, purchased 545 shares in ENDESA on 9 January 2018 meaning that the balance at the time of authorising this report for issue is 16,950 shares.

Note paragraphs C.1.18

This section includes the changes to the Board of Directors Regulations of December 18, 2017 and 26 February 2018.

Note section C.1.37

Also includes services provided by the external auditor for audits other than that of the financial statements and oth-

er audit-related services, in contrast to the criteria for 2016 which only included other non audit-related services provided by the external auditor.

Note section E.4

ENDESA's Board of Directors, on 30 January 2017 and having obtained a favorable response from the Audit and Compliance Committee, approved ENDESA's Tax Risk Management and Control Policy, which regulates the principles that must guide ENDESA's Tax Function, defining the obligations and responsibilities within the organization to this end and including a description of the measures that must be in place to mitigate any tax risks potentially identified, in addition to the principles that must guide the correct control of tax risks, including the application of a series of ex-ante preventive controls on the one hand, and the application of a series of ex-post controls, which entail their identification, measurement, analysis, monitoring and reporting in line with the provisions of ENDESA's Risk Management and Control Plan and ENDESA's Risk Map Guidelines.

CODE OF BEST PRACTICES

At its 20 December 2010 meeting, the Board of Directors of ENDESA approved the adoption of the Code of Best Tax Practices (CBTP). In compliance with the provisions thereof, ENDESA's head of tax matters has been reporting annually to the Board, through the Audit Committee, on the company's tax policies and the tax implications of the company's most significant operations of the year. Furthermore, on 25 January 2016, ENDESA's Board of Directors ratified the company's adherence to the code of ENDESA, S.A. and its Spanish subsidiaries after the recent incorporation to the same of an appendix with new obligations of conduct both for the company and for the administration." In addition, on 30 January 2017, the Board of Directors approved the annual submission of the Increased Transparency Report before the Spanish tax authorities, the content and format of which was approved in December 2016 at the Large Businesses

Forum that ENDESA forms part of, all within the framework of cooperative compliance developed under the aforementioned CBTP. The aforementioned report for 2016 was submitted on 6 June 2017.

Likewise, ENDESA is attached to the United Nations Global Compact, which promotes implementation, on an international level, of the 10 universally accepted principles for promoting corporate social responsibility (CSR) in the areas of human rights, labour regulations, the environment and the fight against corruption in companies' business strategy and activities.

Note NON-FINANCIAL INFORMATION

Pursuant to the transposition of Directive 2014/95/EU on the disclosure of non-financial information and information on diversity, under Royal Decree Law No. 18/2017, of 24 November 2017, a description of the diversity policy applied in relation to the Board of Directors is provided below.

The policy for selecting candidates for the office of director ensures that the proposed appointments of directors are based on a prior analysis of the requirements of the Board, the Audit and Compliance Committee and the Appointments and Remuneration Committee, as a whole, and favours diversity of knowledge, experience and gender, which is a reflection of ENDESA's commitment to diverse representation on its highest governing body right from the initial phase of selecting possible candidates.

Specifically, this Policy seeks the integration of different management and professional skills and experience (including those that are specific to the businesses performed by the Company, such as economic-financial, accounting and audit, internal control, business risk management and legal), also promoting, insofar as possible, diversity of age and gender.

Gender: The policy for selecting directors shall promote the goal of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020. In this connection, in 2017, following the inclusion of María Patrizia Grieco on the Board of Directors, the percentage of women has increased from 9% to 18%. At listed companies, the percentage of women on Boards of Directors has increased by 4.6% since 2013, coming to 16.6% in 2016 (CNMV data).

Age: The average age on the Board of Directors is 64, with ages ranging from 52 to 77. According to data published by the annual

Spencer Stuart Report, the average age of Directors at Ibex 35 companies in 2016 is 60.4.

Time of service: the average time of service of members of ENDESA's Board in 2017 is 4.2 years, compared to the Ibex 35 average of 6.9 years, according to 2016 data released by the CNMV.

The background of Directors is diverse and encompasses disciplines related to the industry to which the Company belongs, such as engineering, law, the economy, etc. As a whole, Directors have the technical knowledge and sufficient experience to perform their duties accordingly.

By nationality, foreign members of ENDESA's Board account for 45% of all members, compared to the 19% average at Ibex 35 companies according to the 2016 Spencer Stuart Annual Report.

ENDESA is convinced that diversity, in all its facets and at all levels of its professional team, is an essential factor to ensure the Company's competitiveness and a key component of its corporate governance strategy that not only encourages critical stances, but also the expression of diverse viewpoints and positions and the analysis of their positive and negative characteristics.

A table containing details on experience, professional skills and diversity at 31 December 2017 is attached.

This annual corporate governance report was adopted by the company's board of directors at its meeting held on 26/02/2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

No

Annex I.

Auditor's Report on the
"Information relating
to Internal Control over
Financial Reporting
(ICFR-SCIIF in Spanish)"
for 2017

ENDESA Group

**Auditor's report on the "Information relating
to Internal Control over Financial Reporting
(ICFR-SCIIF in Spanish)" for 2017**

*Translation of a report originally issued in Spanish. In the event of discrepancy
the Spanish-language version prevails*

**AUDITOR'S REPORT ON THE "INFORMATION RELATING TO INTERNAL CONTROL
OVER FINANCIAL REPORTING (ICFR-SCIIF IN SPANISH)" OF THE ENDESA GROUP FOR 2017**

To the Directors,

At the request of the management of ENDESA, S.A. (the Parent Company) and its subsidiaries (the Group), and in accordance with our engagement letter dated January 22, 2018, we have performed certain procedures on the accompanying "ICFR-related information" included in the 2017 Annual Corporate Governance Report of the Group, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the ENDESA Group's internal control system in relation to its annual financial information, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Group's internal control system was to establish the scope, nature, and timing of the audit procedures performed on the Company's financial statements. Therefore, our internal control assessment, performed for the audit of the aforementioned financial statements, was not sufficiently extensive to enable us to issue a specific opinion on the effectiveness of the internal control over the regulated annual financial information issued.

For the purpose of issuing this report, we exclusively applied the following specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit or a review on the internal control system, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's annual financial information for 2017 described in the accompanying ICFR. Consequently, had we performed procedures additional to those shown in the abovementioned Guidelines, or carried out an audit or review on the internal control system of regulated annual financial information, other matters might have come to our attention which would have been reported to you.

Since this special engagement does not constitute an audit of the financial statements or a review in accordance with prevailing audit regulations in Spain, we do not express an opinion in the terms established therein.

The following procedures were applied:

1. Read and understand the information prepared by the Group in relation to the ICFR - which is provided in the disclosure information included in the Management Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the Annual Corporate Governance Report model established by CNMV Circular nº 7/2015 dated December 22, 2015.
2. Question personnel in charge of preparing the information described in the above section 1, to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions; (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should, mainly, include that information directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the internal audit function, senior executives and other internal/external specialists in their role supporting the Audit and Compliance Committee.
4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board of Directors Meetings, Audit and Compliance Committee, and other Company commissions in order to evaluate the consistency between issues described in the minutes related to the ICFR and information discussed in section 1 above.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the issuance of the information discussed in section 1 above.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Spain's Corporate Enterprises Act, and the Circular nº 7/2015, of December 22, of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

José Agustín Rico Horcajo

February 26, 2018

Annex II.

Additional information to the paragraph H.1

Annex H-1: Diversity Information

In compliance with the transposition of Directive 2014/95/EU on disclosure of non-financial and diversity information as per Royal Decree Law 18/2017, of 24 November 2017, the diversity policy applied to the Board of Directors is described below:

Experience, professional skills and diversity as of 31 December 2017:

Directors	Skills and competencies					Diversity			
	Finance & Risk	Engineering	Legal	Management	Strategy	Tenure (years)	Nacionality	Gender	Age
Borja Prado Eulate	X		X	X	X	10	Spa	M	61
Francesco Starace	X	X		X	X	3	Ita	M	62
José Damián Bogas Gálvez	X	X		X	X	3	Spa	M	62
Alberto de Paoli	X			X	X	3	Ita	M	52
Miquel Roca Junyent	X		X	X	X	8	Spa	M	77
Alejandro Echevarría Busquet	X			X	X	8	Spa	M	75
Maria Patrizia Grieco	X		X	X	X	1	Ita	F	65
Enrico Viale	X	X		X	X	3	Ita	M	60
Helena Revoredo Delvecchio	X			X	X	3	Arg	F	70
Ignacio Garralda Ruiz de Velasco	X		X	X	X	2	Spa	M	66
Francisco de Lacerda	X			X	X	2	Prt	M	57

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