



**CORPORATE GOVERNANCE POLICY FOR
ENDESA, S.A. AND ITS GROUP COMPANIES**

December 18, 2017

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1. INTRODUCTION

ENDESA, S.A. ("**Endesa**" or the "**Company**") is an energy company focused on the electricity business and with a growing presence in the gas industry and which also supplies other related services. Its corporate purpose is the responsible and efficient provision of high-quality services to its clients, providing returns to its shareholders, promoting professional development of its employees, fostering development of the social environments where it operates and using natural resources that are required for its activities in a sustainable manner.

Endesa is aware that the balanced performance of its economic, social and environmental duties, based on its sustainability criteria, is essential to maintain and reinforce its current leading position in the future.

These duties include, in relation to corporate governance, constantly striving for excellence as regards transparency in public reporting to the markets and business ethics in all decision making processes of the Company's governing bodies. For this purpose, Endesa continually and closely monitors developments in national and international best practices in order to incorporate such practices into its internal corporate governance rules and thus ensure its continued status as a leader in transparency and business ethics.

In accordance with the provisions of Article 6.5.2 of the Board of Directors Regulations, the Company's Board has the authority to approve this Corporate Governance Policy, applicable to both the Company and those group companies headed by Endesa ("**Endesa Group**"), and which is the result of the Company and, in particular, the Board of Directors' efforts to maintain its status as a leading company in corporate governance practices.

The purpose of this Policy is to lay out the set of internal corporate governance rules for the Company, currently included in the Corporate Bylaws and the General Shareholders' Meeting and Board of Directors Regulations, as well as in other regulations and policies approved by Endesa's Board of Directors, and to describe the basic corporate governance principles applicable to the Company and the Endesa Group, as well as certain other applicable specific corporate governance commitments.

2. GENERAL PRINCIPLES OF THE CORPORATE GOVERNANCE STRATEGY

The Company's corporate governance strategies, as well as the development and implementation of its internal corporate governance rules and the operation of its governing bodies are all based on the following general principles:

- a) Endesa maintains internal corporate governance rules that incorporate the most advanced corporate governance and business ethics practices and further ensure that all members of Endesa's governing bodies, as well as its professionals, comply with applicable law.
- b) The Company's internal corporate governance rules are aimed at ensuring transparency and equal treatment of all shareholders who are in the same position.
- c) The Company's internal corporate governance rules are an essential tool for the efficient management, control and proper coordination of the Endesa Group's activities and are aimed at:

- creating long-term value for all shareholders and other groups benefiting from the activity carried out by the Company;
 - guaranteeing the quality of services provided to clients;
 - ensuring compliance with legislation;
 - safeguarding assets;
 - ensuring efficiency and effectiveness of processes;
 - monitoring and managing business risks;
 - ensuring transparency in the information provided to the market;
 - balancing the interests of the different shareholding groups, paying particular attention to minority shareholders;
 - raising awareness about the relevance of the impact of the Company's activities on the community as a whole and on sustainable development;
 - addressing the social impact of the Endesa Group's business activities, taking into account the legitimate interests of its employees, suppliers, clients and other interest groups that may be affected by the Endesa Group's activities; and
 - ensuring that basic human rights and business ethics principles are upheld.
- d) The Company's General Shareholders' Meeting, Board of Directors, Board Committees, Chairman, Managing Director and the Endesa Group's management team shall be held primarily responsible for attaining the aforesaid objectives.
- e) The internal corporate governance rules establish a framework that grants and provides a clear and effective allocation of powers amongst said governing bodies, ensuring their proper coordination, as well as to ensure that the decision making process is transparent and takes all relevant legitimate interests into account.
- f) In particular, the internal corporate governance rules establish demanding and transparent processes to ensure transactions carried out by the Company or its Group with Directors, significant shareholders or any parties related thereto are in the best interests of the company.

For this purpose, the Company has developed Related-Party Transaction Regulations that establish the procedures to be followed for the approval and implementation of these types of transactions.

- g) Endesa has implemented appropriate mechanisms that define the duties and responsibilities of the Directors and allow potential conflicts of interest between Directors and the Company to be revealed and resolved.
- h) The Company is working to strengthen shareholder participation at General Shareholders' Meetings, through adequate planning of the mechanisms that facilitate reporting thereto, and to stimulate their contribution towards forming the corporate will, through the exercise of the right of intervention in deliberations and voting.
- i) The Board of Directors is comprised of a majority of non-executive directors. Board members are selected in accordance with a specific and attestable policy for selecting candidates for the office of Director, ensuring that the proposed appointments of Directors are based on a previous analysis of the needs of the Board and foster diversity in terms of knowledge, experience and gender.

- j) The internal corporate governance rules ensure the effective and excellent operation and performance of the Board of Directors, Board Chairman, Managing Director and all Board Committees and Commissions by virtue of annual assessments, which the Company shall prepare, at least every three years, with the assistance and support of independent external advisors.
- k) The internal corporate governance rules ensure the orderly succession of both the Chairman of the Board of Directors and the Managing Director, thereby ensuring the continuity and sustainability of Endesa's business venture.
- l) The Company has developed a Director Compensation Policy based on the principles of balance, effective dedication to the Board and alignment with the long-term strategies and interests of Endesa and its shareholders. This policy aims to attract, maintain and motivate those people whose profile is a good fit for performing the duties inherent in the position of Director of a company with the particular characteristics and traits of Endesa.
- m) Endesa has a set of specific compliance rules, codified in its Code of Ethics, Zero Tolerance Plan Against Corruption and Criminal Risk Prevention Model, which place the Company as a leader in the promotion of business ethics and the fight against crimes and irregularities within legal entities.
- n) Endesa maintains Internal Regulations on Conduct in Securities Markets [and Markets for Emission Allowances] (hereinafter, the "Internal Regulations on Conduct") that establish the rules of conduct to be followed by those persons covered thereby in relation to their actions in said markets.

These Internal Regulations on Conduct have been implemented by the Company with, on the one hand, rules regarding insider information that establish the duties related thereto as well as the rules and procedures for the internal handling and market disclosure of insider information, all with a view to preventing market abuse, and on the other hand, with rules on transactions in securities that establish the reporting obligations of persons with management duties (directors and senior executives) and any parties related thereto.

- o) Endesa promotes the constructive and coordinated communication with groups affected by the Company's activity and assumes responsibility before the communities where it operates, inherent in its status as a leading Company in the industry, and aims to give a fair share of the wealth obtained in pursuing the Company's purpose back to the community.
- p) Endesa has approved a Human Rights Policy that sets forth its commitment and duties as relates to human rights and, in particular, as relates to those human rights implicated in its business activities and operations carried out by the workers of Endesa and its branches, including executives and employees.
- q) The Company promotes the respect of human rights in all commercial relations as well as compliance by its contractors, suppliers and business partners with such principles, paying particular attention to conflict and high-risk situations.
- r) Endesa considers the protection of health and ongoing improvements to working conditions to be key values of its corporate culture and promotes

risk-awareness and fosters responsible behaviors in order to ensure accident-free work that is performed with the highest quality guarantees.

- s) Endesa's business objectives include creating long-term value, in a committed and sustainable manner, for the communities where it performs its activities. These sustainable principles are reflected in the Company's business values, mission and vision, as well as in its decision making processes.

3. SHAREHOLDER STRATEGY

3.1 Relationships with the Majority Shareholder

Endesa is a company that belongs to the corporate group ("**Enel Group**") headed by Enel, S.p.A. ("**Enel**").

The Company benefits from various synergies resulting from membership as part of said Group and from the economic/financial support and stable shareholding structure offered as a result of said membership.

Enel in turn maintains a policy on the managerial autonomy of listed companies within its Group, as is the case with Endesa.

Notwithstanding the above, Endesa's internal corporate governance rules and policy, as a whole, have been drafted to balance the interests of the different shareholding groups, paying particular attention to minority shareholders, as well as to ensure equal treatment of all shareholders who are in the same position.

For such purpose, the Company has implemented a set of enhanced measures to ensure the proper balance of the aforesaid interests:

- a) Independent Directors on the Board of Directors shall outnumber Shareholder-Appointed Directors appointed by the majority shareholder.
- b) The Committees of the Board of Directors, comprised of a majority of Independent Directors, shall have the duty to provide supporting information and report on key corporate governance decisions. Board Committees shall have the duty to, *inter alia*, provide supporting information and report on the approval of transactions with the majority shareholder.
- c) The Company has developed Related-Party Transaction Regulations that set forth procedures to be followed for the approval and implementation of transactions between the majority shareholder and Endesa or other Group companies.

In accordance with the provisions of the Regulations, the Board of Directors shall ensure, through the Audit and Compliance Committee, that all transactions carried out by the majority shareholder or any parties related thereto are carried out at arm's length and, at all times, in accordance with applicable law.

- d) Endesa has developed a reporting policy –as described in section 4, *infra*– that is intended to safeguard the right of all shareholders to information and, in particular, of the minority shareholders.

- e) In particular, the Company reports, on a regular and transparent basis, on all transactions carried out by the Company or another Endesa Group company with the majority shareholder.

3.2 Relationship with Minority Shareholders

Endesa shall serve, through the Investment Relations Department and Shareholders' Office, as an open, permanent and transparent channel for communication with all of the Company's shareholders, as well as with the most relevant stock exchange analysts.

The Investment Relations Department organizes meetings with analysts and institutional investors to provide them with information on the Company. One of its primary tasks includes making public presentations to analysts and investors on quarterly results and the Company's Strategic Plan.

The Shareholders' Office provides a permanent means for interacting and communicating with shareholders. It is responsible for individually responding to all queries whether in person at an office located at Endesa's headquarters, through a free shareholder service hotline or by e-mail.

3.3 General Shareholders' Meeting Participation Strategy

Endesa lays the foundations for full and informed shareholder participation in decisions under their competence; equal treatment of shareholders in the same position as regards reporting, participation and exercise of the voting right at the General Shareholders' Meeting; as well as protection of the interests of both Endesa and all of its shareholders in relation to initiatives which may run contrary to transparency or best interest principles.

For such purpose, one specific aim of the Board of Directors Regulations is to strengthen the participation of all shareholders at the General Meeting, through adequate planning of the mechanisms that facilitate reporting thereto, and to stimulate their contribution towards forming the corporate will, through the exercise of the right of intervention in deliberations and voting.

In line with the above, the Company does not require ownership of a minimum number of shares to attend the General Shareholders' Meeting, such that all shareholders, regardless of the number of shares held thereby, may attend the General Shareholders' Meeting in person.

The Company fosters participation of all shareholders at the General Shareholders' Meeting. The Company provides all shareholders that cannot or do not wish to attend the meeting in person with the option to grant a proxy or cast a distance vote, by post or e-mail.

Every shareholder with a right to attend may exercise such right by way of proxy at the General Meeting. In order to facilitate the exercise of this right, the Company publishes a form of proxy card on its website at the time the General Shareholders' Meeting is called and contacts custodians holding shares in order to ensure that its clients receive proxy cards including information on the Meeting and the agenda items.

All shareholders entitled to attend and vote may cast their votes on the proposals concerning the agenda items by post or through electronic communication, in accordance with the provisions set forth in the Corporate

Bylaws, General Shareholders' Meeting Regulations and supplemental and/or implementing rules established by the General Meeting.

Votes by post shall be cast by sending to the Company the attendance card issued by the Company or entities entrusted with carrying the book-entry records, notwithstanding any additional requirements and conditions which may be established by the Board of Directors.

A vote by electronic communication shall be cast with a recognized electronic signature or any other type of guarantee the Board of Directors deems adequate in order to ensure the authenticity and identification of the shareholder exercising his or her right to vote, notwithstanding any additional requirements and conditions which may be established by the Board of Directors.

4. REPORTING POLICY

Endesa operates with full transparency and adopts specific measures to ensure that all information provided to the market (financial statements, regular reports, informational prospectuses, etc.) are true and accurate.

For such purpose, the Board of Directors has approved the Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors, ensuring transparency and accuracy of the Company's information as related to its relationships with shareholders and the market in general.

This policy sets forth the Company's strategy for reporting to markets, institutional investors, analysts and minority shareholders, and is based on the following principles:

- a) **Transparency:** Information provided shall be clear, complete, accurate and truthful and not misleading or confusing, enabling investors to develop an informed appraisal of the Company.
- b) **Immediacy.**
- c) **Ongoing Reporting:** The Company shall ensure that reporting to shareholders is updated on an ongoing basis.
- d) **Equal Treatment:** Endesa ensures the equal treatment of shareholders in the same position.
- e) **Promoting Corporate Interests:** The Company collaborates with shareholders to ensure reporting practices and relationships with the markets are effective and in line with the Company's interests.
- f) **Regulatory Compliance:** Endesa shall at all times comply with the provisions of law and internal corporate governance rules, ensuring in all cases the application of the principles of cooperation and transparency with authorities, regulators and relevant public bodies.

Endesa's financial reporting shall be made in strict compliance with all legal provisions and shall also use comprehensible language and a logical and consistent organization of the information.

As regards institutional investors and financial analysts, Endesa undertakes to provide sufficient information through specific presentations and regular meetings with investors.

Endesa has a reporting strategy specifically developed for minority shareholders that is aimed at ensuring:

- (i) transparency in reporting through publication on the website of all documents deemed relevant from time to time;
- (ii) simultaneous access to released information by all shareholders and institutional investors; and
- (iii) use of dynamic communication tools on its corporate website.

In particular, Endesa maintains its corporate website up to date, where it publishes information deemed to be of the greatest relevance for shareholders, including financial statements, the Company's internal corporate governance rules, composition of the corporate bodies, documentation related to the General Shareholders' Meeting and annual corporate governance and Director compensation reports.

5. BOARD OF DIRECTORS AND ITS COMMITTEES

5.1 Principles of Operation

The Board of Directors of Endesa shall have the power to ensure the Company provides equal treatment to all who are in the same position, and shall be guided by the best interests of the Company, which shall be understood as developing a profitable business that can be sustained in the long term, promoting the viability of the Company and maximizing its financial value.

In pursuing the corporate interests, the Board of Directors shall, in addition to abiding by laws and regulations, following good faith and ethical principles and observing commonly accepted customs and good practices, aim to reconcile the corporate interests with, as applicable, the legitimate interests of its employees, suppliers, clients, shareholders and other interest groups that may be affected, as well as with the impact of the Company's activities on the community as a whole and on sustainable development.

5.2 Duties of the Board of Directors

In accordance with law, the Corporate Bylaws, and the Board of Directors Regulations, the Board of Endesa shall be the highest administrative and representative body of the Company.

As a general rule, the Board shall entrust daily management of the Company to the delegated administrative bodies and shall focus its activities on supervising and discussing matters of particular importance to the Company and its group of companies.

The Board shall also be responsible for establishing the basis for proper and efficient coordination between the Company and other companies within its group, which are subsidiaries of the Company in accordance with law, respecting in all cases the independence of their managing bodies and executives to make decisions in accordance with the Company's own interests as well as with those of said companies.

5.3 Internal Organization of the Board of Directors

The Board of Directors has established an Audit and Compliance Committee, an Appointments and Compensation Committee and an Executive Committee, all of which form part of the Board.

The majority of both the Audit and Compliance Committee and the Appointments and Compensation Committee are comprised of Independent Directors, which ensures autonomy and freedom of criteria in the exercise of their duties related to making proposals and providing support and reporting on key decisions regarding the Company's corporate governance.

The primary duty of the Audit and Compliance Committee is to monitor and oversee the independence of the statutory auditor, the effectiveness of internal control and risk management mechanisms, and the processes for drafting and presenting financial and non-financial information, as well as to report on related-party transactions.

The Appointments and Compensation Committee shall be entrusted with the duties of appointing and removing Directors and Senior Executives, as well as for establishing compensation.

5.4 *Board Composition, Selection and Gender Equality Strategy*

The Board of Directors shall have the optimal size to facilitate its efficient operation and participation of members and shall be comprised of a number of members as determined by the Board itself, with a minimum of nine and a maximum of fifteen members.

The Board's composition is determined based on the Company's size, organizational complexity and business.

The Board of Directors has approved a specific and attestable Director Selection Policy for selecting candidates. This policy aims to incorporate professional experiences and skills, and different management skills (including those specific to the business carried out by the Company, and also economic/financial and legal), on the Board, as well as to promote, to the extent possible, gender and age diversity. The Company also takes into account the term of office of Board members when establishing the composition of the Board of Directors.

In particular, the Director Selection Policy promotes the objective of having female directors account for at least 30% of the total number of Board members by 2020.

5.5 *Board of Directors Officers*

The Board shall elect from among its members, following a report from the Appointments and Compensation Committee, a Chairman who, in addition to representing the Company, shall perform the duties of a senior executive, ensure the coordination of the Endesa Group, lead the Company's governance actions, paying particular attention to the corporate strategy, and shall be responsible for the management of the Board.

The Board of Directors has, taking into account the Chairman's status as an Executive Director, with all executive directors abstaining and following a report from the Appointments and Compensation Committee, appointed a Coordinating Director from among the independent directors, with ample authorities, including the power to coordinate the succession plan for the Chairman of the Board of Directors.

The Board of Directors also appointed a Managing Director, who shall have the duties of managing the Company, acting as the leading manager for the Company, managing all of the Company's services and leading the Company's senior management. The Managing Director shall also be responsible for implementing the general strategy of the Company and its lines of business, as well as for overseeing and monitoring relations between the Company and its investees.

5.6 *Chairman Succession*

The Company has two succession plans for the Chairman of the Board of Directors, differentiated based on whether the succession is the result of an unexpected dismissal, resignation or permanent absence, with immediate effect, or as the result of a resignation process initiated by communication by the Chairman of his/her intent to resign, made with the advance notice required in the relevant agreement.

a) Unexpected dismissal, resignation or permanent absence.

As soon as the Coordinating Director receives notice of the unexpected dismissal, resignation or permanent absence of the Chairman of the Board of Directors, he/she shall convene an emergency meeting of the Appointments and Compensation Committee and Board of Directors such that, within seventy-two (72) hours, they shall meet to resolve upon the temporary appointment, from among the current Board members, of a new acting Chairman of the Board of Directors.

The Coordinating Director shall, starting on the date the meeting is called up until it is held, seek to interview all Board members to gather their input regarding the proposed candidate to replace the Chairman.

However, the Coordinating Director shall in all cases be required to consult with the Deputy Chairmen of the Board of Directors, the other Executive Directors, the Chairmen of any Committees and at least one Shareholder-Appointed Director representing each of the significant shareholders. The Appointments and Compensation Committee shall meet first and then, immediately following such meeting, a meeting of the Board of Directors shall be held.

The Coordinating Director shall be present at the meeting of the Appointments and Compensation Committee and shall respond to any queries submitted by Committee members. The Appointments and Compensation Committee, taking into account the information provided by the Coordinating Director, shall draft a report on the candidates to replace the Chairman, which shall be submitted to the Board of Directors at their subsequently held meeting.

The meeting of the Board of Directors shall be presided over by the Coordinating Director who, jointly with the Chairman of the Appointments and Compensation Committee, shall present the conclusions of the above-mentioned report.

The Board of Directors may resolve to make said appointment permanent by a favorable vote of at least two thirds of its members.

Once a new acting Chairman has been appointed on a temporary basis, as the case may be, the Appointments and Compensation Committee and the

Coordinating Director shall jointly initiate the process for appointing a new permanent Chairman, for which purpose they shall individually consult with all Board members and submit a proposal to the Board of Directors for ratification of the permanent appointment of the acting Chairman or, as the case may be, for the appointment of a new Chairman. The Board of Directors shall meet to pass a resolution within one month following the date on which the temporary Chairman was appointed.

In accordance with the provisions of Article 13 of the Board of Directors Regulations, the oldest Deputy Chairman, if more than one, shall be responsible for performing the Chairman's duties until such time as the Board of Directors has met and resolved to appoint a new acting Chairman. If there are no Deputy Chairmen, the Coordinating Director shall perform the Chairman's duties to preside over the Board and the oldest Director shall exercise all other powers of the Chairman.

b) Notice of Chairman's intent to resign by prior notice as required under his/her service agreement.

If the Chairman decides to resign from office, subject to the relevant prior notice, said decision shall be notified to the Coordinating Director, the Chairman of the Appointments and Compensation Committee, and the Deputy Chairman and Secretary of the Board. In this case, the Appointments and Compensation Committee and the Coordinating Director shall initiate a consultation process to propose the appointment of a new Chairman to the Board of Directors.

However, the Coordinating Director shall in all cases be required to consult with the Deputy Chairmen of the Board of Directors, the other Executive Directors, the Chairmen of any Committees and at least one Shareholder-Appointed Director representing each of the significant shareholders.

The Appointments and Compensation Committee and the Board of Directors shall meet to pass a resolution within one month following the date on which the Chairman reported his/her intention to resign from office.

The Coordinating Director shall be present at the meeting of the Appointments and Compensation Committee and shall respond to any queries submitted by Committee members. The Appointments and Compensation Committee, taking into account the information provided by the Coordinating Director, shall draft a report on the candidates to replace the Chairman, which shall be submitted to the Board of Directors at their subsequently held meeting.

The meeting of the Board of Directors shall be presided over by the Coordinating Director who, jointly with the Chairman of the Appointments and Compensation Committee, shall present the conclusions of the above-mentioned report.

In any case, the provisions of Article 13 of the Board of Directors' Regulations shall apply, in the aforementioned terms, from the time of effective resignation of the Chairman until the Board of Directors appoints a new Chairman.

5.7 *Managing Director Succession*

As soon as the Chairman receives notice of the unexpected dismissal, resignation or permanent absence of the Managing Director, he/she shall convene the Appointments and Compensation Committee and Board of Directors such that, within the maximum period set by the Chairman, they shall meet to resolve upon the appointment of a new Managing Director. In the alternative, the Chairman, following a report from the Appointments and Compensation Committee, may propose his/her indefinite appointment to the office of Managing Director, until such time as a proper candidate is identified.

With a view to appointing a successor to the Managing Director, a qualified and appropriate candidate for the office shall be identified. The candidate's qualifications must be able to be verified based on reputation, experience, performance in prior positions and recognition in relevant markets.

The Chairman of the Appointments and Compensation Committee, as from the date the Appointments and Compensation Committee and Board of Directors are convened, until the meetings are held, shall interview each Board member to gather their input regarding replacement of the Managing Director. In any case, the Deputy Chairmen of the Board of Directors, the other Executive Directors, the Chairmen of any Committees and at least one Shareholder-Appointed Director representing each of the significant shareholders shall be consulted.

The Appointments and Compensation Committee, taking into account the queries submitted, shall draft a report on the succession of the Managing Director, which shall be submitted to the Board of Directors at their subsequently held meeting.

Until such time as a new Managing Director is appointed, all duties and responsibilities thereof shall be temporarily assumed by the Chairman who shall agree with the required corporate bodies, as an emergency procedure, to delegate those duties and responsibilities to a Director or to such Senior Executives as the Chairman sees fit.

5.8 *Assessment*

The Board of Directors shall assess, following a report by the Appointments and Compensation Committee, on an annual basis, the quality, efficiency and extent of operations of the Board; performance of the duties of the Chairman and Managing Director, based on the report drafted by the Appointments and Compensation Committee; as well as the operation and composition of its Committees, based on the report prepared by each relevant Committee.

The Board of Directors shall, based on the results of the assessment, propose an action plan to correct any identified deficiencies.

In addition, every three years, the Board of Directors shall be assisted in carrying out said assessment by an independent external advisor.

5.9 *Director Information and Training*

In performing their duties, the Directors 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, and shall properly prepare all meetings of the Board and of any corporate body of which they are a member.

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 receive, 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 shall also cover investee companies, any request related thereto shall be directed to the Chairman through the Board Secretary, and the Managing Director shall act as interface for these purposes. 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.

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

The Company has developed an induction program to quickly provide new Directors with sufficient knowledge about the Company, its corporate governance rules and the industry in which Endesa carries out its activities, as well as on its business, organization and development of the applicable regulatory framework and regulations. In addition, it shall also offer Directors knowledge update programs when circumstances so advise. On the other hand, the Audit and Compliance Committee has its own induction program and permanent training plan for its members to ensure that they are updated regarding any developments related to accounting regulations, the electricity and/or gas industry, internal and external audits, risk management, internal controls and/or technological advancements of relevance to the Company.

5.10 Compensation

The compensation policy applicable to the Board of Directors is based on the principles of balance, effective dedication of the Board and alignment with the long-term strategies and interests of Endesa and its shareholders. Said compensation is aimed at attracting, retaining and motivating people with the adequate qualifications to perform the duties inherent in the office of Director of a Company with the characteristics and traits of a company such as Endesa, taking into account the duties, best compensation practices and comparative analysis conclusions reached by specialized external advisors and the results of the Company.

Non-Executive Directors receive only that compensation which is required to compensate for their dedication, without compromising their independence.

Fixed compensation amounts and allowances for Directors, in their condition as such, as well as compensation of the Chairman and the Managing Director, under the specific schemes applicable thereto, are proposed to the Board by the Appointments and Compensation Committee and are subject to the obligation of transparency.

6. TAX STRATEGY

One of the principles on which Endesa's corporate responsibility is based is compliance with tax legislation in force from time to time, with paid taxes constituting one of its contributions to the economic and social development of the society where it does business.

Based on all of the above, taking into account general interests as well as interests related to the proper management of business that safeguards Endesa's reputational values, as well as the corporate interests and interests of its shareholders, the Board of Directors of Endesa has approved a tax strategy, available on the corporate website, based on compliance with the tax regulations in force, adopting a reasonable interpretation thereof at all times.

Furthermore, in implementing said tax strategy and risk management and control policy, the Board of Directors of Endesa has approved a tax risk management and control policy establishing the tax control framework applicable to Endesa and its subsidiaries.

7. COMPLIANCE AND CODE OF ETHICS

7.1 Company Code of Ethics

The Company has a Code of Ethics that sets forth the Company's ethical commitments and duties as related to management of the business and business activities undertaken by people within Endesa and its subsidiaries, be it directors or employees, of any kind, in said companies.

The principles and provisions of the Code of Ethics are aimed at the members of the Board of Directors, its Committees and other control bodies of Endesa, as well as all other Group companies, in addition to their executives, employees and other persons linked to the Group by contractual relationships arising under any circumstances, including occasional or seasonal relationships.

Endesa also requires all affiliates and investee companies, as well as key suppliers and partners, to act in accordance with the general principles of its Code of Ethics.

The Audit and Compliance Committee shall have the authority to carry out the following tasks in relation to the Code of Ethics:

- to make decisions regarding significant violations of the Code of Ethics, notified by the Audit Manager of Endesa;
- to issue binding opinions regarding revision of the most relevant policies and protocols to ensure coherence with the Code of Ethics;
- to regularly review and oversee compliance with the Code of Ethics, reporting any proposed amendments thereto to the Board of Directors.

For this purpose, the Committee shall evaluate:

- the ethical communication and training plans;
- the sustainability report;
- the reports drafted for such purpose.

The Audit Manager of Endesa shall have the following duties:

- to verify implementation of and compliance with the Code of Ethics through specific activities aimed at monitoring and promoting continual ethics-related improvements within Endesa, by analyzing and assessing ethical risk monitoring processes;
- to review initiatives for disseminating content and fostering awareness of the Code of Ethics and, in particular: ensure development of communications and ethical training activities, analyze proposals for revising business policies and procedures that have a significant impact on business ethics and identify potential solutions to be submitted to the Audit and Compliance Committee for evaluation;
- to receive and analyze notices of violations of the Code of Ethics;
- to verify integrity and reliability of the sustainability assessment;
- to propose amendments and additions to the Code of Ethics to the Audit and Compliance Committee.

In the alternative, all parties involved with Endesa may communicate violations or suspected violations of the Code of Ethics to the Audit Manager of Endesa, who shall be responsible for assessing the case and listening to both the reporting party and the party alleged to have violated said Code.

The Audit and Compliance Committee shall act in such a manner as to protect the person accused of violating the Code of Ethics against retaliation. The Audit Manager of Endesa shall ensure the confidentiality of the identity of the person alleged to have violated the Code of Ethics, except in those cases as provided by law.

Endesa shall also have an Ethics Channel available to all interest groups, where any irregular or inappropriate conduct which may arise in the performance of the Company's activity may be securely and anonymously reported. An external and independent firm shall manage the Ethics Channel, processing all complaints and communications on a confidential basis.

7.2 Zero Tolerance Plan Against Corruption

Endesa also has a Zero Tolerance Plan Against Corruption that has been approved by the Board of Directors and which requires all Endesa employees to be honest, transparent and fair in the performance of their duties.

All other related parties (i.e. individuals, groups or institutions that contribute to attaining Endesa's objectives, or that participate in those activities performed to achieve such objectives) are required to abide by the same commitments.

In compliance with Principle 10 of the Global Compact, to which Endesa is a signatory, and which provides that "[b]usinesses should work against corruption in all its forms, including extortion and bribery," Endesa rejects all forms of corruption, both direct and indirect, and has implemented a program to fight against corruption.

7.3 *Criminal Risk Prevention Model*

Endesa has a Criminal Risk Prevention Model that gives the Company a control mechanism to prevent crimes from being committed within the company, thereby complying with the provisions of applicable law on criminal liability of legal persons.

The primary objectives of the Model are to prevent crimes and raise awareness among staff, partners and third parties of the importance of Endesa's commitment to and compliance with the principles and procedures adopted by the Company.

Endesa also has specific protocols establishing general criteria for action that everyone must follow and which are as follows:

- a) The action protocol for conflicts of interest, exclusive dedication and market competition, aimed at regulating the conduct of Endesa employees in relation to exclusive dedication and market competition and establishing rules to follow in the case of behaviors or situations potentially giving rise to a conflict of interest between the Company and the direct or indirect personal interests of any of its collaborators.
- b) The protocol on accepting and offering gifts, hospitality and entertainment, the purpose of which is to establish clear principles of action to be followed by everyone in Endesa in all matters related to hospitality and entertainment, with a view to bringing these in line with the Company's Code of Ethics and the Zero Tolerance Plan Against Corruption.
- c) The action protocol for relations with civil servants and government authorities, the purpose of which is to establish clear principles of action to guide the actions of individuals that interact with civil servants or government authorities and that serve to prevent illegal conduct, ensuring application of the principles of transparency and rightfulness in relations with civil servants and government authorities.