



**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE RELATED-PARTY
TRANSACTIONS PROPOSED FOR APPROVAL BY THE BOARD OF DIRECTORS
UNDER ITEMS 1.1, 1.2, 1.3, 1.4 AND 1.5 OF THE AGENDA.**

This English-language version has been translated from the original issued in Spanish by the entity itself and under its sole responsibility, and is not considered official or regulated financial information. In the event of discrepancy, the Spanish-language version prevails.

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE RELATED-PARTY TRANSACTIONS PROPOSED FOR APPROVAL BY THE BOARD OF DIRECTORS UNDER ITEMS 1.1, 1.2, 1.3, 1.4 AND 1.5 OF THE AGENDA.

In accordance with the provisions of Article 529 of the Corporate Enterprises Act, the Audit and Compliance Committee, without the participation of the proprietary director representing Enel, informs the Extraordinary General Shareholders' Meeting of Endesa of the following related-party transactions by ENDESA, S.A. (or subsidiary of its group) with its controlling shareholder ENEL, S.p.A. (or subsidiary of its group), at the proposal of Endesa's Board of Directors and with votes in favour by the majority of the independent directors:

- 1.1. Renewal of the joint management agreement for LNG carriers and of the supply contracts for liquefied natural gas (LNG) of US origin between Endesa Energía, S.A.U. and Enel Global Trading, S.p.A. for 2023 and extension for 2022.
- 1.2. Sale of liquefied natural gas (LNG) between Enel Global Trading, S.p.A and Endesa Energía, S.A.U.
- 1.3. Acquisition of two liquefied natural gas (LNG) carriers from Enel Generación Chile, S.A. by Endesa Energía, S.A.U.
- 1.4. Formalisation of financial transactions, in the form of a line of credit and guarantees, between Enel, S.p.A and its group companies and Endesa, S.A. and its group companies.
- 1.5. Renewal of the provision of the wind turbine vibration analysis service by Enel Green Power España, S.L. to Enel Green Power, S.p.A.

In accordance with the provisions of article 529 duovicies of the Corporate Enterprises Act, the General Shareholders' Meeting is responsible for approving related-party transactions when the aggregate amount or value of transactions with the same counterparty in the last twelve months is equal to or greater than 10% of total assets according to the last annual balance sheet approved by the company.

CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE REPORTS

The Audit and Compliance Committee has issued a report for each related-party transaction, in each of which it concludes that the transactions are fair and reasonable from the point of view of Endesa and shareholders other than the related party.

In addition, there is at least one independent expert's report for all related-party transactions concluding that the transactions between Enel and Endesa are fair and reasonable from the point of view of Endesa and shareholders that are not related parties.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF RENEWAL OF THE JOINT MANAGEMENT AGREEMENT FOR LNG CARRIERS AND FOB CONTRACTS FOR LNG OF US ORIGIN BETWEEN ENDESA ENERGÍA AND ENEL GLOBAL TRADING FOR 2023 AND EXTENSION OF THE 2022 AGREEMENT



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF RENEWAL OF THE JOINT MANAGEMENT AGREEMENT FOR LNG CARRIERS AND FOB CONTRACTS FOR LNG OF US ORIGIN BETWEEN ENDESA ENERGÍA AND ENEL GLOBAL TRADING FOR 2023 AND EXTENSION OF THE 2022 AGREEMENT

I. INTRODUCTION AND REGULATORY FRAMEWORK

In accordance with the provisions of section 3 of article 529 duovicies of the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, Endesa's Audit and Compliance Committee issues this Report to assess whether the transaction is fair and reasonable from the point of view of the company and, where appropriate, shareholders other than the related party, and to give an account of the assumptions on which the assessment is based and the methods used.

In accordance with paragraph 3 of Article 529 unvicies, the Report issued and, where appropriate, published by Endesa's Audit and Compliance Committee, must at least include the following information:

- a) Information on the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and the value or amount of the consideration for the transaction,
- d) Any other information required to assess whether this is fair and reasonable from the point of view of the company and of shareholders who are not related parties.

Endesa has developed its own internal regulatory framework in this area. This includes regulations on related-party transactions, which have been approved by the Board of Directors, and an Operational Procedure for related-party transactions, which has been approved by the Audit and Compliance Committee and develops the Regulations' guidelines, defining the operations, functions and responsibilities under the general regime of application, approval, publication and supervision of related-party transactions. These regulations have been applied in this case.

II. OVERVIEW OF THE GENERAL TRANSACTION

a) Background

At its meeting on 23 July 2018, Endesa's Board of Directors authorised the signing of a joint management agreement between Endesa Energía, S.A.U. and Enel Global Trading S.p.A. for the charter and supply contracts for LNG originating in the US, together with the associated maritime transport (the "Agreement"). The Agreement establishes a model for the operation and allocation of LNG carriers and contracts belonging to these companies, setting objective rules. It is subject to subsequent verification by independent experts.

The Agreement established the performance of three related-party transactions between Endesa Energía, S.A.U. and Enel Global Trading S.p.A., all of which are of a different nature but linked to each other: first (and the subject of this Report), the joint management of LNG shipping and FOB contracts originating in the US; second, the possibility of LNG sales between the parties; and, finally, the services provided reciprocally between the parties as a result of the creation of the joint management unit.



Purchases of LNG represent a separate related-party transaction, which is subject to approval by the meeting as another item on its agenda. The services provided by the joint management unit, with a combined budget of €3.4 million (including both Enel's invoicing of Endesa and Endesa's invoicing of Enel), are set down in a Technical Services and Management Support Contract, which was approved by Endesa's Board of Directors on 14 October.

The Board of Directors, subsequently, authorised successive annual renewals of the Agreement, always following a favourable report from the Audit and Compliance Committee and independent third parties.

b) Purpose of the transaction.

This transaction involves: i) Renewing the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin for 2023, with an estimated value of €155 million; and ii) Increasing the estimate of the value of the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin for 2022, which was initially approved for an amount of €55 million, up to an estimated amount of €110 million. The Audit and Compliance Committee will be informed of the final amount of both transactions.

The agreement regulates the joint management of carriers and the joint management of LNG contracts:

Joint carrier management: The operational management of carriers is coordinated by a central management team, made up of **Endesa, S.A.** ("Endesa") and **Enel Global Trading S.p.A** ("EGT") staff, which covers only the shipping corresponding to the US Free On Board (FOB) contracts of both companies. The ownership of the contracts shall not change. Each company shall maintain the ownership of its charter policies, as well as its obligations to the ship operator. However, re-invoicing mechanisms will be defined to adjust the balance of payments according to the rights of use (for the structural fleet) and according to the effective use for spot charters.

In other words, the Joint Carrier Management Agreement enables Endesa and Enel to use the vessels of whichever of the two companies are best positioned to minimise the costs of each voyage. The Agreement also sets down an operating model with objective, reciprocal and balanced guarantees and rules that can be subsequently verified by independent experts.

Joint management of LNG contracts: The agreement for the joint management of LNG contracts aims to optimise the resources by performing various activities, such as annual contract planning, as well as to take advantage of the operational opportunities that may arise. This includes the possibility of physical swaps of intra-month LNG at the same price (it does not imply money transfers between Endesa and Enel).

c) Transaction amount

➤ The price of the shipping transactions between Endesa Energía and EGT will be established in the following process:

- The management team will prepare the structural schedules on the basis of the contracts and estimated needs at the start of each period, with the aim of minimising maritime transport costs.
- Rights of use are allocated to the carriers (days of use per year) and the average price of the structural fleet is determined.



- Spot gas will be contracted as necessary to cover any differences between the structural fleet and the total needs.
- Each company will be responsible for paying for its carriers to the ship operator, according to the terms of its own contracts.
- The amount paid by each company will be adjusted every quarter according to the corresponding amount, depending on its rights of use and the use of the additional spot price, according to the allocation factor.
- Any surplus capacity can be put on the market or exchanged between companies at market prices.
- Additional purchases of spot vessels during the year due to management of the joint activity will be distributed between the parties applying the established allocation factors. If such additional purchases are due to causes not related to the planning or linked to the management of the shipping, the company that needs the capacity shall assume the cost.
- The costs associated with each voyage (loading, unloading and channels) will be charged to the owner of the LNG carrier for the specific trip.
- The costs or revenue derived from any changes to the shipping planning caused by either of the parties will be the responsibility of that party.

The allocation factor will be determined at the beginning of the period based on the volume of contracts of each company. Quarterly adjustments will be made based on the average structural fleet and spot prices obtained from the initial planning. The adjustment will be calculated as the difference between the costs that are already borne by each company (payment to the ship operator) and the cost, according to the assigned use, reviewing the allocation percentages established at the start to ensure that they reflect the changes with respect to the initial shipping needs in the medium term. The initially quoted price may be adjusted if there are deviations between the quoted and actual costs.

The reason for using carriers of a specific company is exclusively due to the result of the joint optimisation of the fleet. Each trip is made with the carrier in the optimum position to minimise the total cost.

In relation to renewal of the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin for 2023, the estimate¹ of the value of the Joint Management Agreement for 2023 for the Shipping business is \$95.12 million (€96.99 million). This is the sum of the amounts to be paid by Endesa to Enel for using its vessels, the amounts to be paid by Enel to Endesa for using its vessels, and the amount paid for the quarterly adjustments.

However, with the volatility expected for 2023 in the LNG freight market, these costs may increase by 60%. We, therefore, estimate the value of the Joint Management Agreement for the shipping business to be \$152 million (€155 million).

In relation to the increase in the estimate of the value of the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin for 2022, the estimate² of the value of the Joint Management Agreement for 2022 for the Shipping business was \$62.5 million (€55.2 million). This is the sum of the amounts to be paid by Endesa to Enel for using its vessels, the amounts to be paid by Enel to Endesa for using its vessels, and the amount received for the quarterly adjustments. However, an increase in the estimate of the value of the Joint Management Agreement of the shipping business for 2022 to €110 million has been requested. This is an additional €55 million compared to the €55 million authorised by the Board of Directors on 26 January 2022. This is due to the large increase in the freight market during 2022 caused by the geopolitical situation and various non-substantial changes to the initially agreed planning.

The amounts of both the increase in the estimate of the value of the 2022 Agreement and the renewal of the 2023 Agreement do not include the costs of the joint management unit. The price of

¹ Estimate calculated with market prices on 29 September 2022.

² Estimate calculated with market prices on 10 January 2022.



these services, which are provided reciprocally between Endesa and EGT, is calculated by re-invoicing the costs incurred in providing them with the addition of a 5% margin. Variations on the initially estimated price by +/-10% may be invoiced without the need for additional customer approval.

III. IDENTIFICATION OF THE PARTY RELATED TO ENDESA

As party of the first part, **Endesa Energía, S.A.U. ("Endesa Energía")** is a fully owned subsidiary of Endesa, S.A.

As party of the second part, **Enel Global Trading S.p.A. ("EGT")** is a fully owned subsidiary of Enel S.p.A.

Enel SpA is the sole shareholder of Enel Iberia S.L, which is in turn a shareholder of Endesa S.A with a 70.101% stake. Related-party transactions are those entered into by Endesa or its subsidiaries with Endesa's shareholders who hold 10% or more of the voting rights or who are represented on the Board of Directors, as well as with any other parties considered as parties related to Endesa, in compliance with the International Accounting Standards. Therefore, all transactions entered into by Endesa or its subsidiaries and Enel or its subsidiaries (excluding the Endesa Group) will be considered related-party transactions³.

Enel and its subsidiaries (excluding the Endesa Group) and Endesa and its subsidiaries are considered "the same counterparty" when calculating the thresholds to publish related-party transactions. In other words, the same counterparty is considered both the related person, whether natural or legal, as well as any other entity under its control, and, in the case of natural persons, close relatives, as defined in IAS 24.

IV. ANALYSIS OF THE TRANSACTION FROM THE POINT OF VIEW OF THE INTEREST OF ENDESA AND OF SHAREHOLDERS OTHER THAN RELATED PARTIES

1. Operational, technical and/or commercial rationale

The main purpose of the Agreement adopted between Endesa Energía and Enel is to increase flexibility and take advantage of the synergies of the Enel Group's operations.

In this way, the transaction allows the following: (i) design and preparation of the gas strategy, (ii) management of forward gas contracts, (iii) transfer of contracts, (iv) management of the wholesale margin, and (v) operational management of the gas, all of which will be carried out with a global approach, in addition to (i) management of the commercial margin and the pricing strategy, (ii) customer management, (iii) local logistics management, (iv) risk management, and (v) hedging execution, all of which will be carried out individually by each company.

It is therefore reasonable to have a centralised management model in accordance with the Enel Group's Strategic Plan and Endesa's Strategic Plan, which allows EGT and Endesa Energía to optimise the carrier fleet, with the aim of maximising the value of contracts (maximising revenues and minimising costs). Moreover, the Joint Management Unit, conceived as a market operator with a more solid position and greater negotiation capacity than EGT and Endesa Energía separately, results in a greater use of opportunities and greater competitiveness in obtaining price offers.

Therefore, the advantages derived from the Joint Management Agreement for LNG carriers and the FOB contracts for LNG of US origin are summarised below:

- **Positioning and strategy.** The joint management of shipping and LNG contracts enhances strategic positioning, maximising synergies in the operation of assets and minimising the costs and risks associated with the activity. In addition, it allows a response to be given to specific incidents that may alter the amount of LNG available in an agile manner and to

³ Endesa Group: with regard to the internal regulations associated with related-party transactions, the term "Endesa Group" refers to Endesa, S.A. and its subsidiaries, as described in Article 42 of the Code of Commerce.



complete purchase and sale transactions that respond to the financial interests of Endesa Energía and EGT, provided that the financial conditions are beneficial to both companies.

- **Operational capacity.** Joint action increases the fleet usage efficiency, allowing the optimisation of routes according to the needs of Endesa Energía and EGT (incorporating certain variables, such as the calculation of times, distances and routes and making the relevant adjustments, according to each situation). In addition, it can streamline the response to any need avoiding the need for constant carrier sub-charter processes. Moreover, the use of opportunities and their geographical scope is expanded, contributing to better risk management.
- **Risks.** The economic risks inherent to the activity are reduced through joint action, contributing to the partial mitigation of such risks. An increase in the management capacity mitigates the risks associated with shipping activity (loading losses, delays, weather changes, etc.). Likewise, the larger number of joint resources allows both companies to deal more easily with events that have occurred and to overcome them with success.
- **Costs.** The capacity to perform intragroup LNG transactions between Endesa Energía and EGT prevents the need to purchase resources from the market, saving the associated costs, reducing risks for the counterparty, increasing the security of supply and improving margins. Likewise, it offers savings in port costs derived from economies of scale (tugboats, pilots, moorings, etc.), thus optimising how activities are planned and avoiding the unnecessary transfer of assets.
- **Autonomy.** A high degree of independence is available in decision-making through joint action, using a centralised management model. In this regard, the model is not only used to manage and coordinate the activities to be carried out centrally, but it allows both companies to take advantage of synergies and become more cost-effective, giving each company a high degree of autonomy, to the extent that they can manage their own carriers.

Therefore, joint management is presented as the market trend that improves the position and strategy of companies, while maximising the operational efficiency of assets and mitigating the costs and risks inherent to the activity, provided that the joint management practices are carried out according to a series of predefined rules that guarantee that benefits are obtained without penalising the interests or transactions of any of the parties.

2. Guarantees set forth

The Joint Management Unit shall send the necessary justification documents to each party within a period of two months after the end of the term of the Agreement to justify the provision of reciprocal services and allow the review of aspects including:

- Performance of the shipping schedule and possible adjustments to the one sent prior to the start of the corresponding validity period.
- The factors and criteria used to assign shipping contracts.
- The average shipping prices applied in the period.
- Sales to third parties or between the parties and spot shipping purchases under the terms and conditions set forth.
- The adjustments between the parties derived from the Use Factor.

In the case of Endesa, this review will be conducted by independent experts. In case of disagreement in the execution of the Agreement, the parties will apply the dispute resolution system in clause 18 of the Agreement, by which they undertake to negotiate for 15 days. Any agreement reached will require the approval of Endesa's Audit and Compliance Committee. If no agreement is reached, the parties shall submit the dispute to three arbitrators appointed by the International Chamber of Arbitration based in Paris.

The Agreement provides specific mechanisms for reviewing performance of the Agreement and, therefore, the related-party transaction, and for resolving disputes. These can, therefore, be



considered objective and balanced for the interests of both parties and also comply with the specific procedures approved by Endesa in relation to related-party transactions, enabling the resolution of disputes in terms similar to those that would be agreed by independent parties.

3. Economic reasonableness

The OECD Guidelines establish that, in order for an intragroup provision of services to comply with the arm's length principle, it is necessary to determine whether the activities carried out by the provider generate a benefit to the recipient (benefit test), so that an independent third party would have been willing to carry out the activities covered by the services or to engage with another entity for such purposes. This requirement is enunciated in article 18.5 of the Corporate Tax Law, establishing the generation of an advantage or utility to the recipient as a necessary condition for the determination of the existence of an intragroup service.

The Joint Management of LNG carriers and FOB LNG Contracts of US origin arises from the need to optimise the use of contracted carriers to meet the needs of both companies. This allows Endesa Energía and EGT to benefit from operational agility and efficiency, increasing their incident management capacity and allowing them to make greater use of business opportunities, while optimising the human, material and technical resources.

The expected mutual and proportional benefits are critical for independent companies to agree on sharing the consequences of pooling resources and skills. The reasonable expected benefit derived from the joint management of the activities will be identified when this distribution system is implemented within the context of a joint management transaction of shipping and FOB LNG contracts, which will be compared to the individual management of the activity, thus justifying the closure of the transaction at the price established by the third-party ship operator under the policy contracts provided.

With regards to the adequacy of the market value principle, on the basis of the comparability analysis conducted by PwC and in accordance with paragraph 2.14 of the OECD Guidelines and Article 18.4 of the LIS, it has been concluded that the Comparable Uncontrolled Price ("CUP") method is the most appropriate to justify that the price established in the related-party transactions carried out in the context of the joint management transaction associated with shipping and FOB LNG contracts between Endesa Energía and EGT is in line with the principle of free competition.

The system established to determine the price of related-party transactions is based on a price distribution system established by independent third parties (both of the carriers that each company contributes through the policies signed with third-party ship operators and of the spot vessels that need to be acquired as a result of the schedules), based on the percentage days of use allocated to each company. Therefore, information is available on comparable transactions carried out between independent third parties, allowing the CUP method to be applied through external comparable services.

In addition, to control that these transactions are completed at market prices, they will be compared with the reference monthly prices calculated with the average weekly references of at least the following firms (or of other similar firms in good standing): Braemar, Gibson, Poten & Partners, Simpson Spence Young and Fearnley LNG, ensuring that the variation is of a maximum of 2%.

The annual distribution of costs between EGT and Endesa Energía is calculated with the volume of contracts of each company, as established in the Joint Management Agreement. The distribution key used is linked to the profit obtained (or likely to be obtained) by the entity receiving the services, so it can be reasonable to conclude that it meets the rationality criterion established in the regulations of related-party transactions for the distribution of consideration among the entities benefiting from the services.

For all the above, it is concluded that the method used to determine the price of the related-party transaction between Endesa Energía and EGT is consistent with the prices that independent parties would have agreed under similar circumstances. Therefore, it can be concluded that this transaction is fair and reasonable from the point of view of Endesa and, in particular, of shareholders other than the related party, that is, shareholders other than the Enel Group.

V. INDEPENDENT EXPERT REPORTS ISSUED AT THE REQUEST OF THE AUDIT AND COMPLIANCE COMMITTEE

The analysis of the transaction by the Audit and Compliance Committee took the following reports into account:

- The Report prepared by PricewaterhouseCoopers Tax and Legal S.L. and PricewaterhouseCoopers Asesores de Negocios, S.L. (hereinafter "PwC") on the fairness and reasonableness of the renewal of the contract being analysed.

PwC has issued its Report in its capacity as an independent expert. On the date the report was issued, PwC did not maintain any sort of commercial relations with the Enel Group or with the Endesa Group that could compromise its condition as an independent expert for the purposes of issuing this Report or that, in particular, could place them in a situation of conflict of interest to conduct the analysis and draw up the conclusions set out therein.

In the Report issued for Endesa's Audit and Compliance Committee, it can be concluded that joint management enhances the company's position and strategy, maximises the operational efficiency of assets and mitigates the costs and risks inherent to the activity, provided that such management practices are carried out according to predefined rules that guarantee that benefits are obtained without having a negative impact on the interests or transactions of any of the parties (technical and/or commercial rationale of the transaction), and that the price fixed agreed between the parties (economic rationale) and the contractual conditions are in accordance with the arm's length principle. The independent expert has examined the regulations defined, the guarantees applied, and the contract conditions agreed by the parties. They have concluded that the renewal of the Joint Management Agreement for LNG carriers and the FOB contracts for LNG of US origin for 2023 between Endesa Energía and EGT described in this document is fair and reasonable from the point of view of Endesa and shareholders who are not related parties.

VI. CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee comprises five non-executive members of the Board of Directors, four of whom (80%) are independent. The Committee also includes a Proprietary Director representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

In accordance with paragraph 3 of Article 529 duovicies of the Corporate Enterprises Act, Alberto de Paoli, Proprietary Director, representative of Enel, has not participated in the preparation of this Report.

All other members of the Audit and Compliance Committee have participated and agreed on the content of this Report on the "Renewal of the Joint Management Agreement for LNG carriers and the FOB contracts for LNG of US origin for 2023 between Endesa Energía and EGT and increase of the value of the Agreement for 2022.

Based on the background information discussed above, the Audit and Compliance Committee concludes that the joint management agreement:

- Is a practice that enhances the position and strategy of Endesa, maximising compliance with its Strategic Plan.
- Maximises the operational efficiency of assets and routes, maximising profits and mitigating the costs and risks inherent to the activity.
- Allows the optimisation of human, material and technical resources.
- Strengthens and broadens the market position, providing it with a greater capacity and bargaining power.
- Allows the companies to benefit from the associated opportunities and synergies, in addition to increasing their geographical scope, contributing to better risk management.



- Reduces the costs derived from the new LNG transactions available in the market, increasing security of supply and improving margins.
- The method used to determine the price of the related-party transaction is in line with the principle of free competition.
- The contractual terms of the related-party transaction are set in the usual terms for these types of transactions between independent parties, so they are reasonable.
- Specific mechanisms for guarantees and to review the execution of the Agreement and dispute resolution cases are established in terms similar to those agreed by independent parties.

The Audit and Compliance Committee concludes that the renewal of the Joint Management Agreement for LNG carriers and the FOB LNG contracts of US origin for 2023 between Endesa Energía and EGT and the increase of the value of the Agreement for 2022 are fair and reasonable from the point of view of Endesa and its shareholders other than the related party.

VII. CONCLUSION OF THE BOARD OF DIRECTORS

Following a favourable report from the Audit and Compliance Committee, Endesa's Board of Directors unanimously proposed that the transaction should be submitted to the Extraordinary General Meeting of Shareholders for approval.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF THE RELATED-PARTY TRANSACTION CONSISTING OF THE PURCHASE OF LIQUEFIED NATURAL GAS (LNG) BETWEEN ENEL GLOBAL TRADING S.P.A. AND ENDESA ENERGÍA, S.A.U.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF THE RELATED-PARTY TRANSACTION CONSISTING OF THE PURCHASE OF LIQUEFIED NATURAL GAS (LNG) BETWEEN ENEL GLOBAL TRADING S.P.A. AND ENDESA ENERGÍA, S.A.U.

I. INTRODUCTION AND REGULATORY FRAMEWORK

In accordance with the provisions of section 3 of article 529 duovicies of the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, Endesa's Audit and Compliance Committee issues this Report to assess whether the transaction is fair and reasonable from the point of view of the company and, where appropriate, shareholders other than the related party, and to give an account of the assumptions on which the assessment is based and the methods used.

In accordance with paragraph 3 of Article 529 unvicies, the Report issued and, where appropriate, published by Endesa's Audit and Compliance Committee must at least include the following information:

- a) Information on the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and the value or amount of the consideration for the transaction,
- d) Any other information required to assess whether this is fair and reasonable from the point of view of the company and of shareholders who are not related parties

Endesa has developed its own internal regulatory framework in this area. This includes regulations on related-party transactions, which have been approved by the Board of Directors, and an Operational Procedure for related-party transactions, which has been approved by the Audit and Compliance Committee and develops the Regulations' guidelines, defining the operations, functions and responsibilities under the general regime of application, approval, publication and supervision of related-party transactions. These regulations have been applied in this case.

II. OVERVIEW OF THE GENERAL TRANSACTION

a) Background

The related-party transaction that is the subject of this Report must be considered in the context of the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin between Endesa Energía and Enel Global Trading, the 2023 renewal of which was analysed in the previous item on the agenda for this meeting.

The Agreement regulates the terms and conditions for the three related-party transactions between Endesa Energía, S.A.U. and Enel Global Trading, S.p.A., which differ in nature even though they are linked to each other: first, the joint management of shipping and FOB contracts for LNG of US origin, the extension of which was authorised under the previous item on the agenda of the meeting; second - and the subject of this Report - the possibility of trading LNG between the parties, and, finally, reciprocal provision of services between the parties through the creation of the joint management unit.



Within the framework of the Agreement and given the exceptional situation and the current volatility in the gas market due, among other factors, to the Russia-Ukraine conflict, the Endesa Group considers it appropriate to increase the flexibility of Endesa Energía, S.A.U. in this area and to take greater advantage of operational synergies from joint management of LNG supplies by Endesa Energía, S.A.U. and Enel Global Trading S.p.A.

Against this exceptional backdrop, and given the need for greater flexibility, the following intragroup sales transaction has been reported to respond to specific incidents and the need to increase, decrease or modify the volume of LNG available in an agile manner, while taking advantage of the operational opportunities and benefits from synergies in joint purchases and sales.

Specifically, the option of intragroup transactions avoids having to go to the market, with the resulting cost savings and reduction of counterparty risk, increasing security of supply in times of need and improving margins.

b) Purpose of the transaction

In accordance with the previous section, this Report formally submits LNG sales between Endesa Energía and Enel Global Trading S.p.A. in 2023, with a maximum volume of 2 TWh, for analysis within the framework of the Joint Management Agreement for LNG carriers and FOB contracts for LNG of US origin between Endesa Energía and Enel Global Trading for 2023. This is also subject to information and approval under the previous agenda item.

c) Transaction amount

The estimated economic value of the related-party transaction involving 2 TWh of LNG between Endesa Energía and Enel Global Trading S.p.A. for 2023 logically depends on the price of LNG. This economic value would currently be around €290 million at an estimated LNG price of €145/MWh.

This economic value will vary with prices in the benchmark markets, such as TTF and PVB. The Audit and Compliance Committee will be informed of the final amount of the transactions.

III. IDENTIFICATION OF THE PARTY RELATED TO ENDESA

As party of the first part, **Endesa Energía, S.A.U.** ("Endesa Energía") is a fully owned subsidiary of Endesa, S.A., and therefore a subsidiary of the former, and a member company of the Endesa Group.

As party of the second part, **Enel Global Trading S.p.A.** ("EGT") is a fully owned subsidiary of Enel S.p.A and, therefore, a subsidiary of it, belonging to the Enel Group.

Enel SpA is the sole shareholder of Enel Iberia S.L, which is in turn a shareholder of Endesa S.A with a 70.101% stake. Related-party transactions are those entered into by Endesa or its subsidiaries with Endesa's shareholders who hold 10% or more of the voting rights or who are represented on the Board of Directors, as well as with any other parties considered as parties related to Endesa, in compliance with the International Accounting Standards. Therefore, all transactions entered into by Endesa or its subsidiaries and Enel or its subsidiaries (excluding the Endesa Group) will be considered related-party transactions⁴.

IV. ANALYSIS OF THE TRANSACTION FROM THE POINT OF VIEW OF THE INTEREST OF ENDESA AND OF SHAREHOLDERS OTHER THAN RELATED PARTIES

⁴ Endesa Group: with regard to the internal regulations associated with related-party transactions, the term "Endesa Group" refers to Endesa, S.A. and its subsidiaries, as described in Article 42 of the Code of Commerce.



1. Operational and strategic rationale of the transaction

Given the need for greater flexibility due to the current energy and geopolitical conditions, Endesa Energía considers it may be advantageous to make intragroup LNG sales and purchases for a maximum volume of 2 TWh, in order to respond to specific incidents and to the need to increase, decrease or modify the available LNG volume in an agile manner, taking advantage of the operational opportunities and benefits resulting from the synergies generated by joint sales and purchases operations within the Enel Group.

This provides for the possibility of carrying out purchase and sale operations that are in line with Endesa Energía's economic interests, provided that the economic conditions are advantageous, without Endesa Energía or Enel being obliged to exchange the LNG, leaving it up to the parties to decide.

2 TWh/year is a very small percentage of the total gas managed by Energía for 2022 and 2023. Consequently, it can be concluded that setting the maximum limit for intragroup LNG contracts for 2023 at 2 TWh/year does not distort the market or Endesa Energía's business, as this represents an insignificant proportion of its gas transactions. The 2 TWh/year limit for intragroup LNG contracts in 2023 also fulfils the function of limiting the impact of inter-company management to only an insignificant part of the total gas managed by Endesa Energía.

Based on the above, it is clear that **the nature of the operations is in line with the company's strategy and Endesa Energía's needs.**

The following is a detailed assessment of the impact of the transactions on operations and the organisation:

- **Positioning and strategy.** The joint management of LNG contracts between Endesa and Enel enhances the strategic positioning, maximising synergies in the operation of assets and minimising the costs and risks associated with the activity. In addition, it allows a response to be given to specific incidents that may alter the amount of LNG available in an agile manner and to complete purchase and sale transactions that respond to the financial interests of Endesa Energía, provided that the financial conditions are beneficial.
- **Operational capacity.** Joint action increases the fleet usage efficiency, allowing the optimisation of routes according to the needs of Endesa Energía and Enel (incorporating certain variables, such as the calculation of times, distances and routes and making the relevant adjustments, according to each situation). In addition, it can streamline the response to any need avoiding the need for constant carrier sub-charter processes. Moreover, the use of opportunities and their geographical scope is expanded, contributing to better risk management.
- **Risks.** The economic risks inherent to the activity are reduced through joint action, contributing to the partial mitigation of such risks. Likewise, the larger number of joint resources allows both companies to deal more easily with events that occur and to overcome them successfully. In addition, the inclusion of intragroup transactions allows for better management of supply risk by adding the possibility of sourcing outside the market, which is particularly important in the current context of uncertainty and volatility.
- **Costs.** The capacity to perform intragroup LNG transactions between Endesa Energía and Enel means it is not necessary to use the market, saving the associated costs, reducing risks for the counterparty, increasing the security of supply and improving margins. Likewise, it offers savings in port costs derived from economies of scale (tugboats, pilots, moorings, etc.), thus optimising how activities are planned and avoiding the unnecessary transfer of assets. In this context, intragroup transactions enhance these synergies by enabling improvements in operating margin under certain conditions.
- **Autonomy.** A high degree of independence is available in decision-making through joint action, using a centralised management model. In this regard, the model is not only used to manage and coordinate the activities to be carried out centrally, but it allows both companies to take advantage of synergies and become more cost-effective, giving each company a high degree of autonomy, to the extent that they can manage their own carriers.



2. Economic reasonableness of the transaction. Methods used

The Agreement provides for the possibility of carrying out purchase and sale operations that are in line with the economic interests of Endesa Energía and EGT, provided that the economic conditions are advantageous for both companies, without Endesa Energía being obliged to exchange the LNG, leaving it up to the parties to decide whether or not to accept the proposals of the joint management unit.

Specifically, the purchase of two LNG carriers by Endesa Energía from EGT for 2023 is the most beneficial option available to Endesa in view of the exceptional market situation caused by the Russia-Ukraine conflict.

It is therefore reasonable to conclude that the trade described provides a benefit for Endesa Energía by avoiding it having to go to the market, saving the associated costs, reducing the counterparty risk, increasing security of supply in times of need and improving margins.

It enables planning optimisation and synergies (reduction of spot purchases under unfavourable conditions) and optimisation of the human, material and technical resources involved.

The Agreement includes a specific process for the pricing of LNG trades between Endesa Energía and EGT, which was put in place to provide assurance verifiable by third parties that the purchase of LNG from Enel is the best option for Endesa Energía.

First, before Endesa can purchase LNG from Enel, two alternative, concrete and binding independent third-party offers must be presented so that it can be determined that Enel's offer is the best option. This enables Endesa to compare the price offered by Enel with offers from independent third parties, if they exist. The price determined is the price provided for in the most favourable offer to Endesa in each case, which is verified ex post on a quarterly basis by an independent expert.

If it is impossible to obtain offers from alternative independent third parties, the transaction must be submitted for approval to Endesa's General Manager of Energy Management or the CEO, in which case the transaction must meet three guarantees:

1. Endesa Energía must use an indicator of the estimated price for the transaction (HH, NBP, Brent or other benchmarks) complemented by internal price estimation methods.
2. A maximum spread of 2% must be maintained over the benchmark index established in the model. It is not permitted to purchase above the authorised price range.
3. Documentary records must be kept of unanswered requests for quotations and estimates.

Once the price is set, each LNG shipment supplied is invoiced independently at its market price.

Every quarter, the Joint Management Unit sends each of the parties sufficient documentary evidence to review the LNG contracts between the parties, including:

- The quotations requested not responded to in accordance with the procedure for LNG trades.
- The verification criteria for selecting the most favourable quotation for Endesa's interests.
- Evidence of consistency with market prices (including information on benchmark indices for the formula at the agreed settlement date) and respect for the contracting limits set.
- Calculation of intra-month LNG "physical swaps" at the same price.



This ex-post review will be conducted by independent experts appointed by Endesa. The transactions will be final if none of the parties has expressed their disagreement within four months of receipt of the documents.

Methods used:

- Joint management of LNG contracts provides a benefit to the entities involved. Under the OECD Guidelines, independent third parties would be willing to work with other entities to reduce costs or maximise profits. It can be concluded that the joint management model is consistent with the principle of free competition
- Under paragraph 2.14 of the OECD Guidelines and Article 18.4 of the Corporate Tax Act, the comparable free price (or CUP) method is the most reliable way of determining prices for the transaction that is the subject of the report.
- The price offered by Enel must be compared to prices offered by independent third parties, so quotations are submitted for application of the CUP method
- If there are no quotations, the agreed price is set based on market prices (PVB) supplemented by other internal methods. The PVB is sourced from an independent financial information database, meaning the prices would be consistent with market prices
- The ex-post review mechanisms used in the methodology are set out in point 3.71 of the OECD Guidelines and are, therefore, consistent with what third parties would have agreed under free competition.

Accordingly, we can conclude that the methodology is consistent with Spanish tax regulations and the OECD Guidelines and that the prices of the transaction would reflect what independent parties would agree in similar circumstances.

3. Legal and commercial reasonableness of the transaction

Under the joint management for the sale and purchase of LNG, certain additional ex-post control mechanisms are put in place. In this regard, the Agreement provides that the parties will receive detailed information on a quarterly basis on the process of formalising LNG sale and purchase agreements between the parties, so that each party will have four months from receipt of this information to make any claims and request additional information or clarifications. In the case of Endesa Energía, it is stipulated that Endesa Energía will carry out this review process with the assistance of independent third parties. Therefore, the Agreement provides for specific review mechanisms that allow for the resolution of disputes on terms similar to those that would have been agreed by independent parties.

In case of disagreement in the execution of the Agreement, the parties will apply the dispute resolution system stated in clause 18 of the Agreement, by which they undertake to negotiate for 15 days. The agreement reached requires the approval of Endesa's Audit and Compliance Committee. If no agreement is reached, the parties shall submit the dispute to three arbitrators appointed by the International Chamber of Arbitration based in Paris.

The Agreement provides specific mechanisms for reviewing performance of the Agreement and, therefore, the related-party transaction, and for resolving disputes. These can, therefore, be considered objective and balanced for the interests of both parties and also comply with the specific procedures approved by Endesa in relation to related-party transactions, enabling the resolution of disputes in terms similar to those that would be agreed by independent parties.



The specific terms for LNG purchases between the parties for 2023 will be defined in the corresponding Confirmation Notice under which the related-party transaction will be arranged, in accordance with the Joint Management Agreement.

It can, therefore, be concluded that the terms and conditions applicable to specific LNG trades in the context of the related-party transaction have been agreed by the parties in the usual terms for international contracts of this nature, provided that the terms of the corresponding Confirmation Notice are similar to those provided for in the Confirmation Notice signed by the parties for previous LNG trades under the LNG Framework Agreement.

In particular, the parties have determined a reasonable distribution of the risks associated with the sale and supply of gas, they have established an invoicing, payment and regulation system that can also be considered appropriate according to the nature of the purchase of LNG, as well as mechanisms for the management of cases of force majeure in generally-accepted terms, cases of early cancellation and liability, and resolution of conflicts through appropriate international arbitration.

V. INDEPENDENT EXPERT REPORTS ISSUED AT THE REQUEST OF THE AUDIT AND COMPLIANCE COMMITTEE

After analysing the transaction, the Audit and Compliance Committee has taken into account the Report of PricewaterhouseCoopers Tax and Legal S.L. and PricewaterhouseCoopers Asesores de Negocios, S.L. (hereinafter "PwC") on the fairness and reasonableness of the intragroup LNG trades with Enel Global Trading SpA. PwC has issued its Report in its capacity as an independent expert. On the date the report was issued, PwC did not have any sort of commercial relationship with the Enel Group or with the Endesa Group that could compromise its capacity as an independent expert for the purposes of issuing its Report or that could give rise to a conflict of interest in conducting the analysis and drawing up the conclusions therein.

In its Report, PwC notes:

- It is reasonable to conclude that, against the current energy backdrop, and considering the terms and conditions for such transactions, intragroup LNG trades are a favourable tool for Endesa Energía and are consistent with its strategy and needs.
- The possibility of intragroup transactions of up to 2 TWh under the Agreement for 2023 improves the position and strategy of Endesa, while maximising the operational efficiency of assets and mitigating the costs and risks inherent to the activity, provided it is carried out according to a series of predefined rules that guarantee that benefits are obtained without penalising the interests or operations of either of the parties.
- The trade between Endesa Energía and EGT of two LNG carriers for 2023 is the most beneficial option available in the market situation.
- The pricing methodology is consistent with the Spanish tax regulations and the OECD Guidelines, and the prices of the transaction would reflect what independent parties would agree in similar circumstances.
- The terms and conditions of the transaction are normal in the market

The independent expert concludes that the intragroup trade of LNG between Endesa Energía, S.A. and Enel Global Trading SpA are fair and reasonable from the point of view of Endesa and, in particular, its shareholders apart from the related party, i.e. shareholders other than those of the Enel Group.



VI. CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee comprises five non-executive members of the Board of Directors, four of whom (80%) are independent. The Committee also includes a Proprietary Director representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding. In accordance with paragraph 3 of Article 529 duovicies of the Corporate Enterprises Act, Alberto de Paoli, Proprietary Director, representative of Enel, has not participated in the preparation of this Report.

The other members of the Audit and Compliance Committee have participated in and reached a consensus on the content of this report on the intragroup acquisition of LNG from Enel Global Trading SpA by Endesa Energía, S.A.

Based on the background information discussed above, the Audit and Compliance Committee concludes that:

1. It is reasonable to conclude that the intragroup transactions between Enel Global Trading and Endesa Energía improve the position and strategy of Endesa, while maximising the operational efficiency of assets and mitigating the costs and risks inherent to the activity, provided that they are carried out according to a series of predefined rules that guarantee that benefits are obtained without penalising the interests or transactions of either of the parties. Against the backdrop of the current energy crisis and geopolitical situation, and considering the characteristics required, such transactions are a favourable tool for Endesa Energía and are consistent with its strategy and needs.
2. The price for the purchase of the two vessels is the best of three comparable offers, or failing that, is based on prices in the market (PVB) complemented by other internal price estimation methods, to ensure these transactions go through at market prices. The price determined is the price provided for in the most favourable offer to Endesa Energía in each case, which is verified ex post on a quarterly basis by an independent expert.
3. The methodology used to determine the price for the transactions between Endesa Energía and EGT under the joint management model of LNG contracts can be considered to comply with Spanish tax laws on transfer pricing and OECD guidelines, and the prices of these transactions reflect what independent parties would have agreed in similar circumstances.
4. In view of the legal and commercial terms and conditions under which the joint management of LNG contracts has been established, it can be concluded that the related-party transaction is articulated in a reasonable manner and under contractual terms that could have been agreed by independent parties and that, if these were to be agreed between related parties, they would not create unjustified or disproportionate benefits for EGT to the detriment of Endesa's subsidiary, i.e. Endesa Energía and, ultimately, Endesa.

The Audit and Compliance Committee concludes that intragroup LNG trades are fair and reasonable from the point of view of Endesa and of the shareholders apart from the related party.

VII. CONCLUSION OF THE BOARD OF DIRECTORS

Following a favourable report from the Audit and Compliance Committee, Endesa's Board of Directors unanimously proposed that the transaction should be submitted to the Extraordinary General Meeting of Shareholders for approval.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF THE RELATED-PARTY TRANSACTION INVOLVING THE ACQUISITION OF TWO LIQUEFIED NATURAL GAS CARRIERS FROM ENEL GENERACIÓN CHILE, S.A. BY ENDESA ENERGÍA, S.A FOR 2024.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF THE RELATED-PARTY TRANSACTION INVOLVING THE ACQUISITION OF TWO LIQUEFIED NATURAL GAS CARRIERS FROM ENEL GENERACIÓN CHILE, S.A. BY ENDESA ENERGÍA, S.A. FOR 2024.

I. INTRODUCTION AND REGULATORY FRAMEWORK

In accordance with the provisions of section 3 of article 529 duovicies of the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, Endesa's Audit and Compliance Committee issues this Report to assess whether the transaction is fair and reasonable from the point of view of the company and, where appropriate, shareholders other than the related party, and to give an account of the assumptions on which the assessment is based and the methods used.

In accordance with paragraph 3 of Article 529 unicies, the Report issued and, where appropriate, published by Endesa's Audit and Compliance Committee, must at least include the following information:

- a) Information on the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and the value or amount of the consideration for the transaction,
- d) Any other information required to assess whether this is fair and reasonable from the point of view of the company and of shareholders who are not related parties.

Endesa has developed its own internal regulatory framework in this area. This includes regulations on related-party transactions, which have been approved by the Board of Directors, and an Operational Procedure for related-party transactions, which has been approved by the Audit and Compliance Committee and develops the Regulations' guidelines, defining the operations, functions and responsibilities under the general regime of application, approval, publication and supervision of related-party transactions. These regulations have been applied in this case.

II. OVERVIEW OF THE GENERAL TRANSACTION

a) Background

Endesa Energía is the second largest gas retailer in Spain, with a portfolio of approximately 1.7 million customers. Endesa Generación manages Endesa's wholesale gas trading activity. During 2021, Endesa sold a total of 77 TWh of gas.

The Spanish gas market in which Endesa Energía operates is marked by the high dependence on external gas sources and the need to import gas to cover almost 100% of the demand, due to the low availability of natural gas in Spain.

According to the medium-term forecasts for gas demand in the national market, Endesa Energía needs to import gas for 2024, mainly as a consequence of the high seasonality of gas demand.

On 20 August 2013, Enel Generación Chile, S.A. and Endesa Energía, S.A. signed an open-ended framework agreement for the supply of LNG (hereinafter, the "Framework Agreement"), which remains in effect at the date of this report.



By virtue of the Framework Agreement, Enel Generación Chile, S.A. and Endesa Energía, S.A. may agree to the sale of LNG by Enel Generación Chile, S.A. to Endesa Energía, S.A. under certain supply conditions. If an agreement is reached on the specific terms of the sale of LNG, both parties would formalise it through a "Confirmation Memorandum", in accordance with the provisions of the Framework Agreement. The Confirmation Memorandum determines the quantity of LNG to be supplied, the loading and unloading locations, the delivery times, the price and characteristics of the means of transport and everything not specifically regulated by the content of the Framework Agreement that may apply.

Moreover, Enel Generación Chile is the holder of a long-term LNG framework contract with an LNG supplier, which gives it the possibility of deciding to purchase a certain number of vessels (carriers). The supply contract allows for the international marketing of these carriers, with certain restrictions.

b) Purpose of the transaction.

In execution of the Framework Agreement mentioned in the previous section, the transaction involves the purchase of two liquefied natural gas vessels from Enel Generación Chile, S.A. (hereinafter, Enel Generación Chile) by Endesa Energía, S.A. (hereinafter, Endesa Energía) to cover expected demand for gas in 2024 in the national market.

Endesa Energía has an opportunity to acquire 2TWh of liquefied natural gas from Enel Generación Chile at a competitive price below the TTF spot gas price in Europe (TTF: "Title Transfer Facility" or spot market price in the Netherlands).

Enel Generación Chile and Endesa Energía would sign a contract, whereby the former would sell to the latter two of its additional carriers. Once Endesa Energía, S.A. has decided to purchase the carriers under the terms and conditions described above, the carrier purchase transaction would be documented in accordance with the contract model, in compliance with the international standards for this type of transaction, previously agreed between the parties.

c) Transaction amount

The total value of the two vessels is €121 million at current market prices (5 October 2022). This amount may vary, depending on the TTF price. The Audit and Compliance Committee will be informed of the final amount of the transactions.

In view of the offer made by Enel Generación Chile, S.A. and to the extent that it results from the interest of Endesa Energía, S.A. in the related-party transaction, both entities would sign a Confirmation Memorandum in which the terms under which Endesa Energía, S.A. would acquire two LNG carriers from Enel Generación Chile S.A. will be agreed, with the corresponding Confirmation Memorandum being signed no later than 31 August 2023. The conditions are as follows:

- Quantity: 2 LNG carriers (vessels) the specific volume of which will be determined by Enel Generación Chile, S.A.
- Consideration: Enel Generación Chile would sell each of the vessels to Endesa Energía with a gross discount on the TTF in the terms subsequently set out.
- Supply terms and conditions: In accordance with the provisions of the Framework Agreement, Enel Generación Chile, S.A. will determine the carriers used to transport the LNG and Endesa Energía, S.A. will determine the place and date of unloading. All other terms and conditions applicable to the Term Sheet and, where appropriate, to the Confirmation Memorandum by which the sale of LNG between the parties is executed will be those contained in the Framework Agreement.



III. IDENTIFICATION OF THE PARTY RELATED TO ENDESA

As party of the first part, **Endesa Energía, S.A.** is a fully owned subsidiary of Endesa, S.A. and a member company of the Endesa Group.

As the party of the second part, **Enel Generación Chile, S.A.** is a company majority owned by Enel Chile, S.p.A., which is in turn majority owned by Enel Spa.

Enel SpA is the sole shareholder of Enel Iberia S.L, which is in turn a shareholder of Endesa S.A with a 70.101% stake. Related-party transactions are those entered into by Endesa or its subsidiaries with Endesa's shareholders who hold 10% or more of the voting rights or who are represented on the Board of Directors, as well as with any other parties considered as parties related to Endesa, in compliance with the International Accounting Standards. Therefore, all transactions entered into by Endesa or its subsidiaries and Enel or its subsidiaries (excluding the Endesa Group) will be considered related-party transactions⁵.

IV. ANALYSIS OF THE TRANSACTION FROM THE POINT OF VIEW OF THE INTEREST OF ENDESA AND OF SHAREHOLDERS OTHER THAN RELATED PARTIES

1. Operational and strategic rationale of the transaction

According to the medium-term forecasts for gas demand in the national market, Endesa Energía needs to import at least 2 TWh of gas for 2024, mainly as a consequence of the high seasonality of gas demand.

Endesa Energía has a unique opportunity to acquire 2TWh of liquefied natural gas from Enel Generación Chile at a price below the TTF spot gas price in Europe (TTF: "Title Transfer Facility" or spot market price in the Netherlands).

Although the price of the transaction is subject to variations in the TTF market price, the transaction would not become effective until the parties sign the "confirmation notice", which should be signed before August 2023.

In order to calculate the transaction discounts, Endesa Energía's risk department has assessed each of the potential risks of the transaction with the aim of ensuring that the discount offered in this case by Enel Generación Chile on the TTF market price is higher than the potential risks and to ensure there is a net positive margin for Endesa. These risks are:

- **Base risk:** Assessment, based on historical data series, of decoupling between the PVB (Spain hub) and TTF (Europe hub).
- **Volume risk.** Assessment of the impact on the price of the carriers derived from the potential deviations (maximum deviations between -5% and +20%) of the volume contemplated in the supply contract.
- **Risk of rescheduling:** Assessment of the uncertainty derived from the arrival of LNG (once the date of receipt in a quarter of 2024 is nominated, the date of receipt in that period will not be determined).
- **LNG price risk** Relative assessment of the level of volatility in LNG prices compared to the hub benchmarks.

⁵ Endesa Group: with regard to the internal regulations associated with related-party transactions, the term "Endesa Group" refers to Endesa, S.A. and its subsidiaries, as described in Article 42 of the Code of Commerce.



The logistics costs associated with the contract must be added to this analysis.

In this context, the conditions offered by Enel Generación Chile place a discount on the TTF price. **This means that the margin for Endesa Energía would be substantially higher than €5 million for each carrier when all the risks and costs are considered.**

Based on the above, it is worth mentioning that **the nature of the transaction is in line with the company's strategic plan**, to the extent that it supplies gas as part of its sales plan with a discount on the market price, including an assessment of the transaction's potential risks.

The impact on operations and organisation of the related-party transaction would be as follows:

- **Positioning and strategy.** Endesa Energía manages its medium-term needs to be able to address specific emergency situations in energy markets, ensuring the supply of 100% of its expected demand.
- **Operational capacity.** The international opportunities are boosted by exploiting the capabilities of the Enel Group, contributing to better risk management.
- **Risks.** The economic risks inherent to the activity are reduced, contributing to their partial mitigation. In addition, the larger number of resources at the Group level allows the Group to deal more easily with events and to overcome them successfully.

Costs. Derived from the supply contract, Enel Generación Chile is able to supply Endesa Energía at a sale price at a discount to the market that, considering the risks and costs, would represent a net margin of at least €5 million for each vessel for Endesa. In summary, Performance of the transaction will enable Endesa Energía to: (i) partially cover gas demand for 2024 and (ii) achieve a saving on market prices.

The transaction also includes a series of procedural guarantees:

1. Prior to the firm acquisition of the carrier, at least three offers submitted by qualified operators will be analysed, one of them being from Enel Generación Chile. Once the offers are available, these will be analysed to assess whether those issued by independent qualified operators can be compared (in terms of price, volume, term, characteristics of the transaction, etc.) with the offer submitted by Enel Generación Chile. Therefore, the price initially proposed by Enel Generación Chile will be compared with at least two other market offers before closing the transaction. If it is impossible to obtain alternative offers, the price will be compared to information published by independent entities specialising in LNG trading (ICAP, Tullet Prebon, BGC)
2. Subsequent ex-post assessment by an expert will validate the conditions applied and confirm that the methodology was applied correctly.
3. The purchase will only be made if there is a positive margin for Endesa Energía of €5 million per vessel (non-exercise of the purchase option does not entail penalties for Endesa Energía)

2. Economic reasonableness of the transaction. Methods used

To analyse compliance with the principle of free competition, according to paragraph 2.14 of the OECD Guidelines and article 18.4 of the CTR, the *Comparable Uncontrolled Price* method (CUP) is the most reliable transfer pricing method for determining the nature of the market value associated with the corresponding related-party transaction.

The ex-ante control methodology for this type of operation includes comparing the price proposed by Enel Generación Chile with at least two comparable market offers before agreeing the transaction. As a result of this comparison, the price established will be the most favourable offer for Endesa Energía in each case.



The price offered by Enel Generación Chile will subsequently be compared with the offers from the qualified operators for comparable transactions in terms of price, volume, term, characteristics of the operation, etc. The price established will be the one in the most favourable offer for Endesa Energía in each case. This will be verified ex post on a quarterly basis by an independent expert.

The price established in the purchase of the carriers is agreed based on market prices (TTF index) and applying a discount. The TTF market price is obtained from an independent financial information database and is therefore in line with the prices established in the market, as they are agreed under the conditions that would be established with independent third parties. Taking the above into account, although the price would be at the market value, it would be necessary to assess whether the discount applied to the TTF market price complies with the principle of market value.

The independent expert PricewaterhouseCoopers has searched for information on transactions between independent third parties comparable to the related-party transaction, such as long-term quotations from independent brokers (ICAP, Tullett Prebon, BGC) where the PVB is quoted at a discount to the TTF, enabling application of the CUP method. According to the information analysed, the discount on the TTF determined in the related-party transaction is, in general, consistent with the discounts on the market TTF and never lower than the discounts applied by independent third parties.

Therefore, it is reasonable to conclude that the price agreed for the related-party transaction is, in general, consistent with the principle of market value and in no case lower than that agreed by independent entities under similar conditions.

3. Legal and commercial reasonableness of the transaction

The related-party transaction is legally specified at the outset through signature of the Confirmation Memorandum, in accordance with the Framework Agreement, which involves the execution of the LNG trade and, therefore, the related-party transaction.

The related-party transaction would be executed under the terms and conditions determined with regards to the quantity of gas to be supplied and the delivery method and form, which can be considered reasonable in the context of the price paid for the supply of said gas.

With regards to all other terms and conditions that apply to the related-party transaction, either because they are defined in the Confirmation Memorandum or because they are defined in the Framework Agreement, it can be concluded that they have been agreed by the parties in the usual terms for international contracts of this nature. In particular, the parties have determined a reasonable distribution of the risks associated with the sale and supply of gas. Moreover, they have established an invoicing, payment and regulation system that can also be considered appropriate according to the nature of the related-party transaction, as well as mechanisms for the management of cases of force majeure in generally-accepted terms, cases of early resolution and liability, and resolution of conflicts through international arbitration, also according to the nature of the related-party transaction.

In view of these legal and commercial terms and conditions, it can be concluded that the related-party transaction is articulated in a reasonable manner and under contractual terms that could have been agreed by independent parties and that, if these were to be agreed between related parties, they would not create unjustified or disproportionate benefits for Enel Generación Chile to the detriment of Endesa's subsidiary, i.e. Endesa Energía and, ultimately, Endesa.

V. INDEPENDENT EXPERT REPORTS ISSUED AT THE REQUEST OF THE AUDIT AND COMPLIANCE COMMITTEE

After analysing the transaction, the Audit and Compliance Committee has taken into account the Report of PricewaterhouseCoopers Tax and Legal S.L. and PricewaterhouseCoopers Asesores de



Negocios, S.L. (hereinafter "PwC") on the fairness and reasonableness of the acquisition of the two liquefied natural gas carriers from Enel Generación Chile by Endesa Energía.

PwC has issued its Report in its capacity as an independent expert. On the date the report was issued, PwC did not have any sort of commercial relationship with the Enel Group or with the Endesa Group that could compromise its capacity as an independent expert for the purposes of issuing its Report or that could give rise to a conflict of interest in conducting the analysis and drawing up the conclusions therein.

The Report issued for Endesa's Audit and Compliance Committee concludes that the acquisition of two liquefied natural gas carriers from Enel Generación Chile by Endesa Energía partially covers the gas demand for 2024 and represents a discount on the market price after discounting the risks and costs estimated by Endesa Energía for the transaction.

The independent expert concludes that the acquisition of the two liquefied natural gas carriers is fair and reasonable from the point of view of Endesa and, in particular, of its shareholders other than the related party, i.e. shareholders other than those of the Enel Group.

VI. CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is made up of four non-executive members of the Board of Directors, three of whom (80%) are independent. The Committee also includes a Proprietary Director representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

In accordance with paragraph 3 of Article 529 duovicies of the Corporate Enterprises Act, Alberto de Paoli, Proprietary Director, representative of Enel, has not participated in the preparation of this Report.

All other members of the Audit and Compliance Committee have participated and agreed on the content of this Report on the acquisition of two liquefied natural gas carriers from Enel Generación Chile, S.A. by Endesa Energía, S.A.

Based on the background information discussed above, the Audit and Compliance Committee concludes that:

1. Given the identified lack of gas for 2024, it is reasonable for Endesa Energía to purchase gas from the gas markets to meet estimated demand in the medium term.
2. Given the current market context and the conditions of the contract between Enel Generación Chile and its supplier, it is reasonable to have the Confirmation Memorandum signed, as it allows Endesa Energía to: (i) partially cover the need for 2 TWh for 2024; and (ii) have a discount on the market price after considering the risks and costs of the transaction estimated by Endesa Energía.
3. It is reasonable to conclude that the price agreed for the related-party transaction is, in general, consistent with the principle of market value and in no case lower than that agreed by independent entities under similar conditions.
4. This price determination procedure complies with the Spanish tax regulations on transfer pricing and the OECD Guidelines to the extent that the price of the related-party transaction reflects what independent parties would agree under similar circumstances.

The Audit and Compliance Committee concludes that the Endesa's acquisition of two liquefied natural gas carriers from Enel Generación Chile is fair and reasonable from the point of view of Endesa and its shareholders other than the related party.

VII. CONCLUSION OF THE BOARD OF DIRECTORS

Following a favourable report from the Audit and Compliance Committee, Endesa's Board of Directors unanimously proposed that the transaction should be submitted to the Extraordinary General Meeting of Shareholders for approval.



FORMALISATION OF FINANCIAL TRANSACTIONS, IN THE FORM OF A LINE OF CREDIT AND GUARANTEES, BETWEEN ENEL, S.P.A AND ITS GROUP COMPANIES AND ENDESA, S.A. AND ITS GROUP COMPANIES.



FORMALISATION OF FINANCIAL TRANSACTIONS, IN THE FORM OF A LINE OF CREDIT AND GUARANTEES, BETWEEN ENEL, S.P.A AND ITS GROUP COMPANIES AND ENDESA, S.A. AND ITS GROUP COMPANIES.

I. INTRODUCTION AND REGULATORY FRAMEWORK

In accordance with the provisions of section 3 of article 529 duovicies of the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, Endesa's Audit and Compliance Committee issues this Report to assess whether the transaction is fair and reasonable from the point of view of the company and, where appropriate, shareholders other than the related party, and to give an account of the assumptions on which the assessment is based and the methods used.

In accordance with paragraph 3 of Article 529 unvicies, the Report issued and, where appropriate, published by Endesa's Audit and Compliance Committee, must at least include the following information:

- a) Information on the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and the value or amount of the consideration for the transaction,
- d) Any other information required to assess whether this is fair and reasonable from the point of view of the company and of shareholders who are not related parties.

Endesa has developed its own internal regulatory framework in this area. This includes regulations on related-party transactions, which have been approved by the Board of Directors, and an Operational Procedure for related-party transactions, which has been approved by the Audit and Compliance Committee and develops the Regulations' guidelines, defining the operations, functions and responsibilities under the general regime of application, approval, publication and supervision of related-party transactions. These regulations have been applied in this case.

II. OVERVIEW OF THE GENERAL TRANSACTION

a) Background for the transaction

1. A significant part of the revenue from utilities activity, *including* ENDESA, is determined by the changes of electricity and gas prices in the markets in which these companies operate. These prices are linked to the costs of raw materials needed to produce the electricity or gas required to supply consumers, and to the supply and demand levels.

It is common practice in the industry to execute strategies to hedge the risks of market volatility, so as to ensure stability in the results, in order to guarantee a predictable and adequate return for shareholders.

Endesa holds an active portfolio in the energy futures markets (OTC and organised markets). The volume and pace of hedging in these markets as been adapted to meet the requirements of the Company's Risk Policy and Risk Appetite Framework.



Organised derivatives markets have strict rules in order to mitigate the credit risk of counterparties. They require the deposit of daily cash to hedge both the generic risk (the initial contribution) and the daily valuation of the deals. On OTC markets, the guarantees required may be more flexible when trading bilaterally.

On the gas market, the differences between the prices referenced to Brent or Henry Hub (HH) oil of the contracts for the purchase of gas of non-Community origin and the TTF (Title Transfer Facility; the reference gas sales price in Europe) is managed mainly through the negotiation of derivatives on organised markets. The rules on these markets may derive in greater obligations to provide financial guarantees through "margin calls", as the spreads to be hedged go up.

2. The invasion of Ukraine in February 2022 led to the adoption of a series of sanctions from the European Union that have meant, for example, a reduction in exports through a gas pipeline to Europe, partially offset by greater imports of liquefied natural gas (LNG) of mainly North American origin, referenced to the dollar and the HH index.

Since the end of last spring, the prices of the TTF index have experienced an unprecedented change, far from any forecast by analysts, intrinsic reasons or the laws of free supply and demand. This unpredictable and absolutely exceptional change has marked unprecedented highs, which have led to a very significant increase in the needs for the provision of cash collateral to continue operating on organised markets.

The uncertainty has also shifted to financial markets, where both the risk premiums required of sovereigns and the credit margins required in corporate financing have risen. Likewise, markets have become more selective as regards the acceptance of risk. The exceptional and unpredictable market performance is requiring the adoption of extraordinary measures by market agents.

The European Commission and certain European governments have launched initiatives to moderate the rise in prices, limit the impact of their transfer to the economy and review the operation of energy markets. Financial aid programmes have also been implemented.

This situation is therefore affecting a good number of European energy companies, although it is expected that the tensions affecting the sector will moderate in the coming months as a result of the measures taken by governments, the EU and the companies themselves.

Taking into account Endesa's 2022-2024 business plan and the need to meet investments, operational gaps and other flows envisaged in the plan, Endesa's currently projects there will be a need for finance.

3. Under Endesa's financial strategy, it is common practice for part of the financing to be carried out through deals with its parent company. Endesa has arranged financial deals with the Enel Group for a total of €7.050 billion, justified by the high volume and immediacy of its availability. Transactions with Enel are normally limited to any that are structural in the form of a loan or liquidity.

Enel Finance International N.V (hereinafter **EFINV**), as the financial institution in the Enel Group, is responsible for managing and channelling the Group's monetary resources. This is how EFINV receives financing from independent financial institutions and fixed income investors and provides financing for the rest of the Enel Group.

4. In short, the current climate of international uncertainty, with special impact on the energy markets, together with extreme volatility in the gas market (TTF), determines the existence of a risk, of limited but real probability, that there will be extraordinary and unpredictable increases in the TTF gas index, which in turn would determine the need for Endesa to offer additional (potentially very high) amounts in the future as guarantees.

In order to establish a preventive framework in the face of this uncertain and possible situation, it is considered preferable to go to the majority shareholder for reasons of speed, cost and efficiency. The Corporate Enterprises Act requires that the approval of such large transactions be carried out



at the General Shareholders' Meeting, which in turn requires that the call for the meeting be sent 30 days in advance. Consequently, Endesa, as a precaution, should approve these trades before any risk is materialised.

The aim is to establish a precautionary and collateral framework that allows Endesa to have mechanisms in place to guarantee its liquidity position on the derivatives markets, in the face of future demands for new guarantees.

The formalisation of the proposed financial transactions would allow Endesa to strengthen the liquidity that immediately ensures its ability to meet its short-term obligations, enabling it to optimise financial management by regulating working capital flows and attend to deviations from the planned operating flows.

5. Financing from the majority shareholder under this transaction is thus one-off and exceptional in nature, in order to cover Endesa's short-term liquidity needs to face the increase in the volume of guarantees required on the organised futures markets, mainly natural gas.

b) Objective and amount for the transaction.

The aim is to formalise financial transactions, in the form of a line of credit and guarantees, between Enel, S.p.A and its group companies and Endesa, S.A and its group companies. The purpose of these transactions is to cover the Endesa Group's obligations on the national and international energy markets:

- a) Granting of a twelve-month line of credit by Enel Finance International N.V. (a subsidiary of the Enel, S.p.A. Group) to Endesa, S.A. for a maximum amount of up to three billion euros.

As for remuneration, the applicable interest rate shall result from adding a spread on the Euribor of 87 bps per year, calculated on the amount drawn and outstanding. This margin has been determined in accordance with the analysis of comparable transactions identified through the sectoral curves given by the BVAL⁶ service in the Bloomberg database. If the interest rate (Euribor rate + margin) is less than zero, the interest rate will be considered equal to zero.

A non-drawdown fee of 30 bps per year will apply to any principal that is not drawn. This will be calculated as approximately one third of the margin applied to the available balance for the credit line, a common market practice.

The funds will be used to fulfil the company's obligations with third parties, arising from the operational regulations of national or international regulated gas and electricity markets in which it participates and other directly or indirectly related obligations.

- b) Formalisation of the issuance of a guarantee by Enel S.pA to guarantee certain obligations of Endesa Generación, S.A. (against a bank guarantee of Endesa, S.A.) for an amount of up to two billion euros, until 30 June 2023.

Remuneration for the guarantee granted by Enel (against a bank guarantee by Endesa) is based on a fixed guarantee fee of 4 bps per year on the guaranteed and unpaid principal.

Secured obligations: Endesa Generación's payment obligations to a third party bank under the agreement called "FIA Terms of Business" of 3 May 2022, and its corresponding amendments. The purpose of this guarantee is to cover Endesa Generación, S.A.'s obligations on the energy markets, and the corresponding counter-guarantee.

⁶ Bloomberg Valuation Service (BVAL) provides accurate and justifiable pricing of fixed income instruments and derivatives for unit trusts, money managers, hedge funds, internal price allocation groups, auditors and regulators.



The relations between the parties with respect to the guarantee of obligations of Endesa Generación, S.A. will be regulated in a counter-guarantee agreement between Enel and Endesa, S.A.

III. IDENTIFICATION OF THE PARTY RELATED TO ENDESA

The company providing the services: Enel s.p.A and Enel Finance International N.V (company 75% owned by Enel Holding Finance S.r.l. and 25% by Enel S.p.A.).

The company receiving the services: Endesa S.A. and Endesa Generación, S.A. (company wholly owned by Endesa, S.A.).

The Enel Group is a leading multinational group in the global electricity and gas markets and its main operations are in Europe and Latin America. Enel SpA is the sole shareholder of Enel Iberia S.L, which is in turn a shareholder of Endesa S.A with a 70.101% stake. Related-party transactions are those entered into by Endesa or its subsidiaries with Endesa's shareholders who hold 10% or more of the voting rights or who are represented on the Board of Directors, as well as with any other parties considered as parties related to Endesa, in compliance with the International Accounting Standards. Therefore, all transactions entered into by Endesa or its subsidiaries and Enel or its subsidiaries (excluding the Endesa Group) will be considered related-party transactions⁷.

IV. ANALYSIS OF THE TRANSACTION FROM THE POINT OF VIEW OF THE INTEREST OF ENDESA AND OF SHAREHOLDERS OTHER THAN RELATED PARTIES

1. Operational, technical and/or commercial rationality

Taking into account Endesa's 2022-2024 business plan and the need to meet investments, operational gaps and other flows envisaged in the plan, the Company's projects there will be a need for finance.

As already indicated, current geopolitical events have led to an exceptional and unpredictable change in the prices of the energy futures markets in which Endesa is an active operator, mainly of the TTF gas index, which has risen significantly. This means that in certain scenarios Endesa is required to deposit collateral as a guarantee for payment, since the high nominal rates for these transactions may represent a significant financial burden. For all these reasons, annual financing needs should be reviewed within the context of uncertain developments that involve arranging new financing transactions.

Although most analysts do not foresee future significant increases in the price of gas, the truth is that we are facing an unprecedented scenario and it is not prudent to rule out extreme albeit unlikely possibilities. Considering that Spanish law establishes the need for Endesa's General Shareholders' Meeting to authorise financial transactions of this amount with the majority shareholder, and that the deadlines and procedures for holding the Meeting are incompatible with the very short period in which events can take place, it is considered appropriate to have the financing mechanisms available immediately, without waiting for the gas market to undergo an unlikely though not fully dismissible change.

⁷ Endesa Group: with regard to the internal regulations associated with related-party transactions, the term "Endesa Group" refers to Endesa, S.A. and its subsidiaries, as described in Article 42 of the Code of Commerce.



Endesa has assessed various alternatives to the proposed financing, finally considering it appropriate to arrange it with Enel, instead of resorting to external financial institutions for the following reasons, among others:

- Extremely agile negotiation, as opposed to complex negotiations with third parties, against enormous market volatility
- Very flexible financing, given the demands of organised markets derived from unpredictability and volatility
- No new use of the banking market, which is extremely sought-after from the sector at the moment
- Very suitable alternative due to its volume and transitory nature

2. Economic reasonableness of the transaction. Methods used

The special circumstances do not make it possible to apply ordinary procedures to manage related-party financial transactions. However, the applicable terms must always replicate the valid references from the market, both under conditions and within the maximum period available from time to time with the banks.

2.1 Economic reasonableness of executing a twelve-month credit line granted by Enel Finance International N.V. (a subsidiary of the Enel, S.p.A. Group) to Endesa, S.A. for a maximum amount of up to three billion euros.

In order to determine the remuneration of this transaction, we have analysed transactions signed between third parties with economic characteristics comparable to this transaction.

Specifically, comparable transactions identified through the sectoral curves given by the BVAL service in the Bloomberg database have been analysed. We identified unsecured bonds issued by entities operating in the same industry, with the same level of credit rating, and in the same currency, to subsequently make a liquidity adjustment that allows increasing comparability. The use of external databases is expressly permitted by the OECD Guidelines on Related-Party Transactions (section 3.30)

In order to consider market volatility and minimise distortions, the average daily returns of the 10 working days prior to the date of the analysis (i.e. from 22 September to 5 October) were taken into account.

The comparable uncontrolled price (CUP) method based on external comparable examples has been used to assess the market adequacy of the remuneration between EFINV and Endesa.

The range used has been the average of the remuneration range included in the analysis, which is a central trend value admitted by paragraph 3.62 of the OECD Guidelines.

With regard to the remuneration to be established for the credit line granted by EFINV to Endesa, the interest rate will correspond to that resulting from adding a spread to the Euribor. Specifically, after applying the Group's methodology, a spread on the Euribor of 87 bps per year is applicable (mean identified through the analysis carried out).

Therefore, the interest rate set by the Group to remunerate the credit line granted by EFINV to Endesa follows a reasonable methodology and is the average result of the analysis carried out. These can be considered a methodology and a market outcome in line with the arm's length principle.

2.2 Economic reasonableness of the execution of a guarantee by Enel S.pA to guarantee obligations of Endesa Generación, S.A. (against a bank guarantee of Endesa, S.A.) for an amount of up to two billion euros, until 30 June 2023.



In order to determine the remuneration of this transaction, we have analysed transactions signed between third parties with economic characteristics comparable to this transaction.

The comparable uncontrolled price (CUP) method based on external comparable examples has been used to assess the market adequacy of the remuneration.

Specifically, the applicable premium has been built taking account of the probability of default (PD) of the debtor entity and the percentage of loss in case of default (Loss Given Default, LGD). Applying this methodology to Endesa Generación's credit rating, the PD is calculated as the average annualised value of the probabilities of default assigned by Moody's and Standard&Poor's to Endesa's credit rating. The LGD of this value is estimated by reference to the methodology of the IRB Foundation. Subsequently, the applicable premium is calculated by multiplying the PD and the LGD, resulting in a rounded-off figure of 0.04% or 4 bps per year.

The remuneration for the guarantee from Enel to Endesa Generación, which is counter-guaranteed by Endesa, has therefore been set at a fixed guarantee fee of 4 bps per year on the guaranteed capital.

It can be concluded that the LGD methodology is a commonly used methodology for the analysis of guarantees and is therefore considered a reasonable methodology from a transfer pricing perspective, in line with the arm's length principle.

V. INDEPENDENT EXPERT REPORTS ISSUED AT THE REQUEST OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee took into account the following report when analysing the transaction:

- **Report prepared by Ernst & Young Abogados, S.L.P.** on the fairness and reasonableness of the contracts being analysed. Ernst & Young Abogados, S.L.P. (Ernst & Young) issued a report in their capacity as an independent expert, having ascertained that at the date of issue of the Report, Ernst & Young did not maintain any sort of commercial relationship with the Enel Group or with the Endesa Group that could compromise its condition as an independent expert for the purposes of issuing this Report or that, in particular, could place them in a situation of conflict of interest to conduct the analysis and draw up the conclusions set out therein. The Report issued for Endesa's Audit and Compliance Committee concluded that both the credit line from EFINV and the guarantee from Enel provide a series of advantages for Endesa and as a result, to its shareholders:
 - The credit facility and guarantee enable Endesa to meet all its obligations and operational needs in a more agile and efficient way, gaining access to the Group's monetary resources and saving time and resources;
 - Endesa's liquidity is strengthened and it is able to meet its short-term obligations and to optimise financial management by regulating flows of working capital and addressing deviations from planned operational flows;
 - This diversification makes it possible to reduce the pressure on financial institutions, which also receive requests for other products such as derivatives, guarantees and working capital transactions; and
 - Finally, to the extent that the remuneration established has been based on external comparable examples and the methodologies used are considered reasonable, they are consistent with the arm's length principle.



For all these reasons, Ernst & Young concludes that the Endesa Group obtains a profit as a party to both the credit line and the guarantee analysed in its Report, and that therefore the execution thereof is justified (rationality of the operation, technical and/or commercial). It can also be concluded that the remuneration applied is in line with the principle of arm's length (economic rationality).

So, according to Ernst & Young, the related-party transactions described in this document are fair and reasonable from the point of view of Endesa and shareholders who are not related parties.

- **Report by Garrigues**, as the group's tax advisor, which concludes that both transactions follow market conditions in accordance with the Corporate Tax transfer pricing regulations. An analysis of the deductibility of corporate tax expenditure has also been carried out and Garrigues has not seen any element that calls into question its deductibility. It has been verified that the financial expense derived from the credit line transactions will not be affected by the limit established by the Corporate Tax rule for cases in which 30% of EBITDA is exceeded.

VI. CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee comprises five non-executive members of the Board of Directors, four of whom (80%) are independent. The Committee also includes a Proprietary Director representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

In accordance with paragraph 3 of Article 529 duovicies of the Corporate Enterprises Act, Alberto de Paoli, Proprietary Director, representative of Enel, has not participated in the preparation of this Report.

The rest of the members of the Audit and Compliance Committee have participated and agreed on the content of this Report on the formalisation of financial transactions, in the form of a credit line and guarantees, between Enel S.p.A and companies of its group and Endesa, S.A and companies of its group.

Based on the background information detailed above, the Audit and Compliance Committee concludes that:

- Arranging the credit line and issuing a guarantee by Enel Finance International N.V. and Enel, S.p.A., respectively, establishes a precautionary and guarantee framework that gives Endesa mechanisms to guarantee its liquidity position on the energy markets in a more agile and efficient way, in the face of future demands for new guarantees, through access to the Group's monetary resources and saving time and resources;
- The diversification of financing enables a reduction on the pressure on financial institutions who also receive requests for other products such as derivatives, guarantees and working capital transactions. A balanced relationship is thus maintained between resources originating in the banking sector and those from the Group;
- Endesa's liquidity is strengthened and it is able to meet its short-term obligations and to optimise financial management by regulating flows of working capital and addressing deviations from planned operational flows;



- The remuneration established for transactions, insofar as they have been based on external comparable examples, is consistent with the arm's length principle, and therefore comparable to that which would be established by third-party financial institutions.

The Audit and Compliance Committee concludes that the formalisation of a credit line and the issuance of a guarantee by Enel Finance International N.V. and Enel, S.p.A., respectively, are fair and reasonable from the point of view of Endesa and shareholders other than the related party.

VII. CONCLUSION OF THE BOARD OF DIRECTORS

Following a favourable report from the Audit and Compliance Committee, Endesa's Board of Directors unanimously proposed that the transaction should be submitted to the Extraordinary General Meeting of Shareholders for approval.



REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF RENEWAL OF PROVISION OF THE WIND TURBINE VIBRATION ANALYSIS SERVICE BY ENEL GREEN POWER ESPAÑA S.L TO ENEL GREEN POWER SPA

REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE ON THE FAIRNESS AND REASONABLENESS OF RENEWAL OF PROVISION OF THE WIND TURBINE VIBRATION ANALYSIS SERVICE BY ENEL GREEN POWER ESPAÑA S.L TO ENEL GREEN POWER SPA

I. INTRODUCTION AND REGULATORY FRAMEWORK

In accordance with the provisions of section 3 of article 529 duovicies of the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, Endesa's Audit and Compliance Committee issues this Report to assess whether the transaction is fair and reasonable from the point of view of the company and, where appropriate, shareholders other than the related party, and to give an account of the assumptions on which the assessment is based and the methods used.

In accordance with paragraph 3 of Article 529 unvicies, the Report issued and, where appropriate, published by Endesa's Audit and Compliance Committee, must at least include the following information:

- a) Information on the nature of the transaction and the relationship with the related party,
- b) The identity of the related party,
- c) The date and the value or amount of the consideration for the transaction,
- d) Any other information required to assess whether this is fair and reasonable from the point of view of the company and of shareholders who are not related parties.

Endesa has developed its own internal regulatory framework in this area. This includes regulations on related-party transactions, which have been approved by the Board of Directors, and an Operational Procedure for related-party transactions, which has been approved by the Audit and Compliance Committee and develops the Regulations' guidelines, defining the operations, functions and responsibilities under the general regime of application, approval, publication and supervision of related-party transactions. These regulations have been applied in this case.

II. BRIEF DESCRIPTION OF THE TRANSACTION

a) Background

In 2017, Endesa's Board of Directors approved a contract for the provision of a wind turbine vibration analysis service, at the proposal of the wholly owned company Enel Green Power España. This was presented to extend the study and analysis of vibrations in the turbine fleet in Spain to a larger population of turbines in countries outside the scope of Endesa. This would result in an accelerated learning of the vibration patterns in the turbines, improving the intelligence of the analysis and, as a result, the effectiveness and efficiency of the process.

This service had been provided by several third parties in the past. However, in 2017 it was considered that centralisation of the service in EGPE for the entire Enel Group would generate economies of scale that could be passed on to all parties.



In 2019, Endesa's Board of Directors approved modifications of the contract to expand the number of monitoring systems included in its scope. The turbine fleet currently supervised comprises 2,398 units.

b) Purpose of the transaction.

The purpose of this operation is the renewal of the contract regulating the terms and conditions of the vibration analysis services for wind turbines provided by Enel Green Power Spain, S.L. ("**EGPE**") to Enel Green Power S.p.A. ("**EGP**") from 18 November 2022 to 17 November 2027.

The contract under renewal is for the vibration analysis service through which EGPE remotely monitors the status of the Group's wind turbine powertrains in countries outside Endesa's scope, analysing data collected by the Condition Monitoring System (hereinafter CMS), which records vibration data. The scope of the service involves documented notification of any faults or breakdowns, improving optimisation of review and repairs of the turbines and, as a result, increasing the efficiency of the operation and maintenance of the wind farms.

c) Transaction amount.

The amount of the contract renewal for the provision of the wind turbine vibration analysis service between Enel Green Power España S.L (EGPE), as the supplier, and Enel Green Power SpA (EGP), as the recipient, for the period from 18 November 2022 to 17 November 2027 is estimated at €5 million.

III. IDENTIFICATION OF THE PARTY RELATED TO ENDESA

Company providing the service: Enel Green Power España, S.L. (hereinafter "EGPE"), a company wholly owned by Endesa Generación, which in turn is wholly owned by Endesa, S.A., meaning EGPE is a subsidiary of Endesa, S.A.

The company receiving the service: Enel Green Power, S.p.A. (hereinafter "EGP"), a wholly owned subsidiary of Enel S.p.A.

Enel SpA is the sole shareholder of Enel Iberia S.L, which is in turn a shareholder of Endesa S.A with a 70.101% stake. Related-party transactions are those entered into by Endesa or its subsidiaries with Endesa's shareholders who hold 10% or more of the voting rights or who are represented on the Board of Directors, as well as with any other parties considered as parties related to Endesa, in compliance with the International Accounting Standards. Therefore, all transactions entered into by Endesa or its subsidiaries and Enel or its subsidiaries (excluding the Endesa Group) will be considered related-party transactions

Enel and its subsidiaries (excluding the Endesa Group) and Endesa and its subsidiaries are considered "the same counterparty" when calculating the thresholds to publish related-party transactions. In other words, the same counterparty is considered both the related person, whether natural or legal, as well as any other entity under its control, and, in the case of natural persons, close relatives, as defined in IAS 24.



IV. ANALYSIS OF THE TRANSACTION FROM THE POINT OF VIEW OF THE INTEREST OF ENDESA AND OF SHAREHOLDERS OTHER THAN RELATED PARTIES

1. Operational, technical and commercial rationale.

The renewal of the contract for the provision of the wind turbine vibration analysis service between Enel Green Power España S.L (EGPE), as the supplier, and Enel Green Power SpA (EGP), as the recipient, enables extension of the study and analysis of vibrations in the turbine fleet in Spain to a larger population of turbines. This would result in an accelerated learning of the vibration patterns in the turbines, improving the intelligence of the analysis and, as a result, the effectiveness and efficiency of the process.

Provision of this service by EGPE to a wider range of entities in the Group increases the number of observations, improving the intelligence of the CMS analysis and, therefore, the effectiveness and efficiency of the process, which is applied to more than 800 wind turbines belonging to EGPE.

It also generates savings in operation and maintenance costs, licences and other structure costs, as having more data requires larger servers, reducing the costs per wind turbine at the unit level.

The knowledge acquired is valuable for improving provision of the service, providing reliable information for optimising the operation and maintenance of the wind farms, and for negotiating with manufacturers.

The provision of EGPE's wind turbine vibration analysis service to EGP is, therefore, fair and reasonable from a business perspective for EGPE, as it provides economies of scale, process know-how and increased negotiating power with third parties.

2. Economic rationale. Methods used

The Organisation for Economic Cooperation and Development (OECD) Transfer Pricing Guidelines (hereinafter the OECD Guidelines) applicable to multinational companies and tax administrations establish the arm's length principle for the measurement of transactions between related persons or entities. Spanish legislation fully embraces the OECD's approach with regard to the principle of free competition, with Article 18 of Law 27/2014, of 27 November, on Corporation Tax (hereinafter, LIS) including the principle of "normal market value".

The remuneration for provision of services by EGPE to EGP is set on the basis of a similar price to that charged by independent third parties until 2017, so that the costs incurred by the provider are covered together with a margin depending on the type of technology analysed, resulting in turn in savings for the recipient.

As comparable transactions in the market with independent third parties were considered in determining this remuneration, the Comparable Free Price (hereinafter CFP) method has been used, based on comparable internal items, to assess whether the remuneration between EGPE and EGP is under market conditions.

It was observed that market price benchmarks enable EGPE to obtain a margin on the costs incurred of between 12.36% and 51.60%, depending on the type of technology.

The prices were initially set in the original 2017 contract based on prices with third parties at that time. These prices have been updated annually based on the Spanish CPI. The Group has received more recent offers from independent third parties for the supply of CMS services. These show a correlation between the prices recently offered by independent third parties and the prices updated by the Group in line with the CPI since 2017.



The market nature of the remuneration established between EGPE and EGP for the provision of vibration analysis services is, therefore, demonstrated, and the provision of the services generates an economic benefit for EGPE.

V. INDEPENDENT EXPERT REPORTS ISSUED AT THE REQUEST OF THE AUDIT AND COMPLIANCE COMMITTEE

In its analysis of the transaction, the Audit and Compliance Committee took into account the report from Ernst & Young Abogados, S.L.P. (hereinafter, **EY Abogados**) on the fairness and reasonableness of the renewal of the contract being analysed.

The Report is issued by EY Abogados in its capacity as an independent expert, having ascertained that at the date of issue of the Report EY Abogados did not maintain any sort of commercial relations with the Enel Group or with the Endesa Group that could compromise its condition as an independent expert for the purposes of this Report or that, in particular, could place them in a situation of conflict of interest to conduct the analysis and draw up the conclusions set out therein.

The purpose of the Report issued to Endesa's Audit and Compliance Committee is to analyse the fairness and reasonableness of related-party transactions that are expected to be carried out by Endesa or its subsidiaries (hereinafter, the **Group** or **Endesa Group**) with counterparties with which they are linked.

E&Y has concluded that the remuneration agreed in the contract analysed provides advantages to the Endesa Group entities involved. EGPE obtains a profit as the service provider (technical and/or commercial rationale of the operation), and the remuneration received is consistent with the principle of free competition (economic rationale).

Finally, E&Y states that it can be concluded that this transaction is fair and reasonable from the point of view of Endesa and, in particular, of shareholders other than the related party, that is, shareholders other than the Enel Group.

VI. CONCLUSION OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee comprises five non-executive members of the Board of Directors, four of whom (80%) are independent. The Committee also includes a Proprietary Director representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

In accordance with paragraph 3 of Article 529 duovicies of the Corporate Enterprises Act, Alberto de Paoli, Proprietary Director, representative of Enel, has not participated in the preparation of this Report.

All other members of the Audit and Compliance Committee have participated and agreed on the content of this Report on the renewal of the contract for the provision of the wind turbine vibration analysis service by Enel Green Power España S.L to Enel Green Power SpA.

Based on the background information discussed above, the Audit and Compliance Committee concludes that:

- The comparable free price methodology used to determine the remuneration for the provision of the wind turbine vibration analysis service demonstrates that the transaction is under market conditions.



- Provision of the vibration analysis services generates an economic benefit for EGPE, covering the costs it expects to incur plus a profit margin.
- Analysis of vibrations in a larger population of wind turbines enables the accumulation of know-how that increases the effectiveness and efficiency of the analysis provided, generating efficiency in operating and maintenance costs, as well as in licences and infrastructure use.
- Knowledge of vibration analysis gives EGPE greater bargaining power with third parties.

The Audit and Compliance Committee, therefore, concludes that the contract for the provision of the wind turbine vibration analysis service by Enel Green Power España S.L to Enel Green Power SpA is fair and reasonable from the point of view of Endesa and shareholders other than the related party.

VII. CONCLUSION OF THE BOARD OF DIRECTORS

Following a favourable report from the Audit and Compliance Committee, Endesa's Board of Directors unanimously proposed that the transaction should be submitted to the Extraordinary General Meeting of Shareholders for approval.