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September 28, 2020

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REPORT SUPPORTING THE AMENDMENTS TO THE ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS

1. INTRODUCTION

The purpose of this Explanatory Report is to present the reasons for and scope of the amendments to the Board of Directors Regulations of ENDESA, S.A. ("**Endesa**" or the "**Company**"), which, at the proposal of the Appointments and Compensation Committee, are submitted to the approval of the Board of Directors, under the terms provided in Article 4 of said Regulations.

At the last General Shareholders' Meeting held on 5 May 2020, amendment of the Bylaws was approved to expressly create an option for establishing a Sustainability and Governance Committee, which was ultimately established, effective 1 September 2020. This decision reflects the Company's commitment, at the highest level, to integrating sustainability in the management of all activities of the Endesa Group, promoting energy transition through a commitment to renewable energies, digitization and innovation.

As a result of the establishment of this Sustainability and Governance Committee, it is therefore necessary that certain duties and responsibilities relating to sustainability and corporate governance previously held by the Audit and Compliance Committee be formally transferred to the new Committee, thus requiring amendment of the Audit and Compliance Committee Regulations and the Board of Directors Regulations.

Furthermore, in accordance with Technical Guide 1/2019 On nomination and remuneration committees, published by the Spanish Securities Market Commission in February 2019, and which provides, in relation to the adequate and effective operation of these Committees, that, as with Audit Committees, such Appointments and Compensation Committees shall have their own Regulations approved by the Board of Directors, detailing their powers and proceedings, as well as in accordance with the best practices of listed companies, Endesa's Appointments and Compensation Committee has proposed the approval of its own Regulations to the Board of Directors.

In addition, amendment thereof is deemed appropriate to adapt the contents thereof to the amendments made to the Corporate Governance Code for Listed Companies published by the Spanish Securities Market Commission on 26 June 2020; to the changes made to Law 11/2018, of 28 December, amending the Commercial Code; to the amended and restated text of the Capital Corporations Law, as approved by Royal Legislative Decree 1/2010, of 2 July; to Law 22/2015, of 20 July, on Statutory Auditing, as relates to non-financial information and diversity; and to the contents of the aforementioned Technical Guide 1/2019 On nomination and remuneration committees. Finally, other non-material technical improvements are also proposed.

The proposed amendment of the Board of Directors Regulations has been prepared simultaneously and in coordination with the development of two new Regulations: the "Sustainability and Governance Committee Regulations" and the "Appointments and Compensation Committee Regulations," as well as with the proposed amendment of the "Audit and Compliance Committee Regulations."

On the basis of the foregoing, and in light of the ongoing commitment of Endesa's Board of Directors to applying best corporate governance practices and striving for the most effective business management, the amendments to the Board of Directors Regulations have been submitted for approval by the Board of Directors, at the proposal of the Audit and Compliance Committee, under the terms specified herein below.

2. DETAILS ON THE PROPOSED AMENDMENTS TO THE BOARD OF DIRECTORS REGULATIONS

The following paragraphs provide a detailed description of the key amendments to the Regulations, the approval of which is submitted to the Board of Directors, omitting those minor changes to the current text that are considered mere drafting or strictly technical improvements.

These key amendments are discussed herein below and grouped by Title of the Regulations:

2.1 Preliminary Title (Articles 1 to 4)

In **Article 4** ("Amendments"), the proposed amendment is aimed at loosening the requirements for amending the Board of Directors Regulations by introducing as an improvement the option for any of the three Board Committees (as opposed to just the Audit and Compliance Committee) to propose amendments to the Board of Directors Regulations when, in their opinion, the circumstances make amendment thereof appropriate or necessary.

2.2 Title One (Articles 5 to 6): General Duties and Powers of the Board of Directors

In **Article 6** ("General Duties and Powers of the Board of Directors"), as relates to the Company's general policies and in line with the amendments made to the Corporate Governance Code for Listed Companies and, in particular, with the new text of Recommendations 4 and 14, the proposed amendment expressly incorporates, in Article 6.4.2, references to the duty of the Board to establish (i) the general policy as relates to the reporting of economic-financial, non-financial and corporate information and (ii) the director selection policy aimed at promoting an appropriate composition of the Board of Directors.

2.3 Title Three (Articles 9 to 12): Appointment and Removal of Directors

In **Article 12** ("Removal of Directors"), the proposed amendment would revise the contents of this article in line with the new text of Recommendation 24 of the Corporate Governance Code for Listed Companies, referring to a director ceasing in his/her position before the end of his/her term of office, whether by resignation or by resolution of the General Meeting.

In particular, these amendments increase transparency as relates to the removal of directors due to resignation or by resolution of the General Meeting, both through the Annual Corporate Governance Report and, to the extent relevant for investors, through the Spanish Securities Market Commission, at the time of removal.

In relation to the foregoing, those circumstances in which the Board shall consider there to be just cause for proposing the removal of an independent director to the General Meeting are expressly regulated, stating, in accordance with

Recommendation 21 of said Corporate Governance Code, that "just cause shall be deemed to exist when the director is appointed to new positions or undertakes new obligations that prevent said director from dedicating the time required to perform the duties inherent in its position as a director, or significantly breaches such duties."

2.4 Title Five (Articles 17 to 20): Proceedings of the Board of Directors

The proposed amendment adds a new article, **Article 17bis** ("Meeting Venue"), in order to provide more detailed regulations on the meeting venue for Board meetings.

In particular, the new Article 17bis introduces technical improvements to the regulations on meetings held remotely using videoconferencing, conference calls, or any other means of distance communication, thus expanding the options for holding meetings remotely.

2.5 Title Six (Articles 21 to 25): Committees of the Board of Directors

As a result of the Bylaw amendments approved by the General Shareholders' Meeting of 5 May 2020, in which it was resolved to establish a new Sustainability and Governance Committee, amendments are proposed to **Article 21** ("Executive Committee and Committees of the Board of Directors"), **Article 23** ("Audit and Compliance Committee"), **Article 24** ("Appointments and Compensation Committee") and **Article 25** ("Sustainability and Governance Committee") in order to reflect the new distribution of responsibilities among the different Committees and, in particular, to transfer a portion of the duties and powers relating to sustainability and corporate governance, previously held by the Audit and Compliance Committee, to the new Sustainability and Governance Committee.

2.6 Likewise, the text of these articles is adapted to the new text of Recommendations 37 (regarding the composition of the Executive Committee) and 39 (recommending that the members of the Audit and Compliance Committee have knowledge in financial and non-financial accounting, auditing and risk management). Title Seven (Articles 25bis to 28bis): Duties of Directors

In **Article 28.bis**, which governs the Directors' duty of disclosure to the Company, the proposed amendment would adapt the text of said article to the new text of Recommendation 22 of the Corporate Governance Code for Listed Companies, which establishes the obligation of Directors to report to the Board any situations arising that may impair the Company's credit or reputation.

Specifically, in line with the text of the new recommendation, it is clarified (i) that Directors shall report on such situations whether or not related to the Company (as long as such situation has some impact on the Company's credit or reputation) and (ii) that when a Director reports any such situation, or when the Board, by any other means, becomes aware of such situation affecting a Director, the Board of Directors –without waiting for a formal decision of the courts (such as an indictment or an order to proceed to trial)– shall assess the situation as soon as possible and, taking into account the specific circumstances, shall decide, following the proposal or report of the Appointments and Compensation Committee, whether to adopt any measures, such as opening an internal investigation or requesting the resignation or proposing the removal of the director, and shall report on such measures in the Annual

Corporate Governance Report, unless there are special circumstances justifying such a situation, in which case such circumstances shall be recorded in the minutes.

2.7 Title Ten (Articles 31 to 34): Relationships of the Board of Directors

In Article 33, governing the relations with external auditors, the proposed amendment would modify section 33.3 to adapt the contents thereof to the new text of Recommendation 8 of the Corporate Governance Code for Listed Companies, establishing the duty of the Board of Directors, applicable in the exceptional case in which the statutory auditor has included any reservation in the auditors' report, to make available to the shareholders, at the time the Notice of General Meeting is issued and together with the remaining Board proposals and reports, a summary of the Audit and Compliance Committee's opinion on the contents and scope of such reservation.

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