

# Report supporting the amendment of the Endesa, S.A. Board of Directors Regulations

*DATOS IDENTIFICATIVOS DEL EMISOR*

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DENOMINACIÓN SOCIAL: ENDESA, S.A.

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endesa



## **REPORT SUPPORTING THE AMENDMENT OF THE ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS**

### **1. INTRODUCTION**

The purpose of this justifying Report is to present the reasons for and the scope of the amendments to the Board of Directors Regulations of ENDESA, S.A. (“**Endesa**” or the “**Company**”), which are submitted to the Board of Directors for approval, under the terms provided in Article 4 thereof, and which amount to approval of new board of directors regulations.

The reform of the Board of Directors Regulations is advisable in view of the most recent legal updates implemented, primarily, by Law 31/2014, of December 3, amending the Spanish Capital Corporations Law for the improvement of corporate governance (“**Law 31/2014**”); the new Corporate Governance Code for listed companies recently approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) in February (the “**Corporate Governance Code**”); and the most recent reform to the Company's Bylaws, approved by Endesa's General Shareholders' Meeting held on April 27, 2015 and, under this framework, the implementation of various improvements is being proposed, with a view to perfecting Endesa's corporate governance and maintaining its leading position in this field.

Based on all of the above and true to its commitment to transparency in the actions of its governing bodies and to fostering effective business management, Endesa's Board of Directors proposes the approval of the new Board of Directors Regulations in the terms set forth herein below.

### **2. DETAILS ON THE UPDATES INCLUDED IN THE NEW BOARD OF DIRECTORS REGULATIONS**

The following sections provide detailed descriptions of the primary updates included in the new Regulations, the approval of which is submitted to the Board of Directors.

In order to simplify the explanation of these changes, only primary substantive changes will be addressed and all changes to the current text that constitute mere drafting improvements (e.g the indiscriminate use of the terms "Endesa," the "Business" or the "Company" to refer to ENDESA, S.A.) or technical improvements (e.g. replacing references to specific regulations – such as references to the Mercantile Registry Regulations– with references to the law in general) will not be included.

The main updates discussed in this report are grouped together under the different titles into which the new proposed text is divided:

#### **2.1 Eliminating the Preamble and Updating the New Preliminary Title (Articles 1-4)**

The first proposed change involves eliminating the Preamble, which is considered nonessential, in order to ensure a more clear, concise and brief text.

The proposed changes to **Article 1** involve developing the purpose of the Regulations and acknowledging that the Regulations contain specific measures aimed at ensuring the best possible management of the Company (in line with the provisions of Article 528 of the Capital Corporations Law).

Furthermore, in accordance with the provisions of Article 529 of the Capital Corporations Law, **Article 2.2** of the Regulations goes into detail on the publication scheme for the Regulations, expressly requiring that they be published on the Company's website, registered with the Mercantile Registry and reported to the General Shareholders' Meeting.

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

The proposed changes to **Article 5** involve developing a new article that would address the general principles that should govern the conduct of the Board of Directors, substantially reproducing the content of Recommendation 12 of the Corporate Governance Code.

This formalizes the Board of Directors' commitment to the principles that should govern their conduct, i.e. the principles of independence, non-discrimination and pursuit of the corporate interests.

The proposed changes to **Article 6** include both reorganizing the powers attributed to the Board of Directors and also expressly adding new "non-delegable powers" as identified in the new Law, which, in many cases, supplement the powers that have already been granted to the Board in the Regulations.

In this regard, Article 6 reconfigures the powers of the Board of Directors, strengthening the supervisory duties thereof in line with Articles 249 bis and 529 ter of the Capital Corporations Law and, in particular, expressly includes the following powers:

- In relation to the Company's general policies and strategies: to approve the Company's management objectives, incorporate tax matters in the risk management and control policy and monitor the internal control and reporting systems.
- In relation to management of the Company: to approve the investments and divestments that pose particular tax risks, define the Company's tax strategy, approve the creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the Company or its group.
- In relation to the organization and functioning: to waive the obligations of the Directors arising under the duty of loyalty in the terms provided by law, except when the General Shareholders' Meeting has the sole authority to grant such waiver, and to approve transactions carried out by the Company and its group

companies with directors and significant shareholders, or with related parties thereto, under the terms provided by law.

It is worth noting in relation to this point that although such power is not currently expressly provided for in the Regulations, in practice, the Board has been exercising this power under the terms provided in the Procedures for Related-Party Transactions (under review as of the date of this report).

- In relation to Directors and Senior Executives: to monitor the Senior Executives' actions and demand accountability for their decisions, approve contracts executed between the Company and any Board members that have been appointed as managing directors or to whom executive duties are otherwise granted, and establish the basic terms of the contracts for Senior Executives, including as regards compensation.
- Assessment of the Board: to propose an action plan to correct deficiencies identified based on the results of each annual assessment.

In line with Endesa's commitment to transparency, the new proposed text provides for the assistance of an external independent consultant in assessing the Board of Directors, thus complying with Recommendation 36 of the Corporate Governance Code (“*Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant.*”)

### **2.3 Title Two (Articles 7 and 8): Composition of the Board of Directors**

The primary change to this Title is to refine the definition of the different categories of directors --the Regulations adopted the definitions provided in the previous Unified Corporate Governance Code-- in order to bring the Regulations in line with Article 38 of the Corporate Bylaws and Article 529 *duodecies* of the Capital Corporations Law.

### **2.4 Title Three (Articles 9–12): Appointment and Removal of Directors**

**Article 9**, on the selection and appointment of directors, incorporates Recommendation 14, which requires the approval of a specific and attestable director selection policy that favors transparency throughout the entire director selection and appointment process.

The primary change to this Title is made in **Article 10**, limiting the maximum number of board of directors of companies outside the group that directors may be part of, thereby adopting the provisions of Recommendation 25 of the Corporate Governance Code and Principle 13 "Directors' Dedication," establishing, *inter alia*, that Directors shall dedicate the time required for the efficient performance of their duties.

In particular, the proposal provides that the Directors of Endesa may not belong to more than four boards of directors of listed companies, or eight organizations in total (including listed and unlisted companies). Membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the Director sits shall not count when said board is that of a company that may

submit abridged balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.

Finally, Article 12 incorporates Recommendation 22 of the Corporate Governance Code, which establishes that Independent Directors shall tender their resignation to the Board when there is just cause, as determined by the Board of Directors following a report from the Appointments and Compensation Committee and, in the case of shareholder-appointed directors, if the shareholder represented thereby fully transfers or decreases his/her shareholding, in which case the number of shareholder-appointed directors shall be reduced accordingly.

In accordance with the aforesaid Recommendation 22, an obligation is established requiring directors to report, through the Secretary, all criminal proceedings or cases in which they are defendants, as well as all developments in said proceedings or cases.

## **2.5 Title Four: Offices of the Board (Articles 13–16)**

*The Memorandum of Law 31/2014, amending the Capital Corporations Law for the improvement of corporate governance states that the composition of the board of directors of listed companies is one of the most commonly discussed issues by corporate governance experts. In this regard, two new updates related to the chairman are established: the duties of the office are expressly stated (and which may be expanded by the bylaws and board regulations) and it is established that, when the chairman is an executive director, the board of directors shall necessarily appoint a coordinating director from among the independent directors, who shall act as a counterweight.*

### *(a) Chairman and Vice Chairmen of the Board of Directors*

*The primary change to the Regulations in relation to the office of Chairman, regulated by Article 13, is the express acknowledgment of his/her consideration as an executive director, taking into account the performance thereby of senior executive duties, and in accordance with the Law and the Code, the Regulations establish that *the Chairman, in addition to the institutional representation of the Company, shall perform the duties of a senior executive, ensure the coordination of the Endesa group, lead the Company's corporate governance actions, paying particular attention to the corporate strategy, and shall be responsible for managing the Board, with the Chief Executive Officer acting as the highest responsible person for the management of the company.*” In addition, *the Chairman shall ensure that he/she spends enough time debating strategic questions and shall resolve on and revise director knowledge update programs, as the circumstances so require.*”*

As a result of the above, it is clarified that –in accordance with the provisions of Article 529 septies– his/her appointment shall require the favorable vote of two thirds of the members of the Board of Directors.

### *(b) Coordinating Director*

The new **Article 14** regulates the position of Coordinating Director in accordance with the provisions of the new Article 529 septies of the Capital Corporations Law. The

Company is required to have this position by virtue of the Board Chairman's status as an executive director.

In this regard, the Board of Directors proposes, as yet another sign of the company's commitment to transparency and to following best corporate governance practices, to strengthen the Coordinating Director's powers beyond those strictly required by the Law.

In particular, the proposal grants the Coordinating Director the powers to preside over the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any (although not necessarily assuming their other duties, although this could be the case, in accordance with the provisions of Article 13.7); voice the concerns of the non-executive directors; maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the Company's corporate governance; and coordinate the succession plan for the Chairman.

These provisions also bring the Company into compliance with Recommendation 34 of the Corporate Governance Code.

(c) *The Secretary and Vice-Secretary of the Board of Directors*

The changes related to the regime applicable to the Board Secretary, regulated by **Article 16**, include:

- Incorporating, among other duties, the duty to ensure that the actions and decisions of the Board of Directors take into account the recommendations on good governance contained in the Corporate Governance Code, in accordance with Recommendation 35 thereof,
- Adding an express reference to the duty to assist the Chairman to ensure that the Directors receive, sufficiently in advance and in the proper format, all information required to exercise their duties, in line with the provisions of Article 529 octies of the Capital Corporations Law, introduced by Law 31/2014.
- Regulating the position of vice-secretary of the Board of Directors

## **2.6 Title Five: Operation of the Board of Directors (Articles 17–20)**

Several improvements are made to Articles 17 and 18, governing the meeting and convening of the Board of Directors.

The primary and most noteworthy updates are those aimed at incorporating the content of Recommendations 26 and 31 of the Corporate Governance Code.

In this regard, the updates establish a program requiring that the Board meet at the beginning of each fiscal year –something that Endesa's Board of Directors started doing a few years ago–.

Furthermore, with a view to ensuring its ongoing involvement in the day-to-day life of the Company, the Regulations establish that the Board shall meet at least ten times per year (the Corporate Governance Code recommends at least eight), holding at least one meeting per calendar quarter, as indicated in Article 245 of the Law.

Finally, and in accordance with the Code, the Regulations are amended to enable Directors to submit additional agenda items not initially proposed, thereby strengthening their rights beyond that required by Spanish law, which, in this regard, only applies to the coordinating director.

Furthermore, the Regulations indicate that each director may individually propose other agenda items not initially included, provided the request is made at least two days before the relevant Board meeting is held. In any case, and in accordance with Article 529 septies of the Law, all agenda items proposed by the coordinating director shall be included.

Furthermore, the Regulations require the prior and express consent of a majority of the Directors in attendance, duly recorded in the minutes, if, once the meeting is already in session, the Chairman wishes, on an exceptional and emergency basis, to propose decisions or resolutions that were not listed on the agenda to the Board of Directors.

This is intended to foster the efficient and transparent operation of the Company's main governing body, thus incorporating the most demanding good governance practices in this area.

Furthermore, **Article 20** introduces the content of the provisions of Article 529 quáter of the Capital Corporations Law, following the reform implemented by Law 31/2014, which establishes that non-executive directors may only grant proxies for Board Meetings to other non-executive directors.

## **2.7 Title Six: Committees of the Board of Directors (Articles 21–24)**

One of the primary pillars of the reform of the Board of Directors Regulations is the strengthening of the duties of the Committees of the Board of Directors.

Furthermore, in accordance with the provisions of Article 48 of the Bylaws, **Article 21** clarifies that establishment of the Executive Committee is optional, based on the decision of the Board of Directors from time to time, whereas, in accordance with law, establishment of the two Board Committees –the Audit and Compliance Committee and the Appointments and Compensation Committee– is mandatory.

### *(a) Executive Committee*

**Article 22**, regulating the composition and functioning of the Executive Committee, first declares that establishment thereof is optional and also incorporates Recommendation 37 of the Corporate Governance Code, introducing improvements consistent with the provisions of Article 6.10, which reproduces the provisions of Article 529 ter, section 2, of the Capital Corporations Law, introduced by Law 31/2014. This article allows for the adoption by the Executive Committee, in urgent circumstances,

of decisions usually reserved to the Board of Directors, notwithstanding the fact that such decisions must be ratified by the next Board of Directors meeting held following the adoption of such decision.

The article further clarifies, in accordance with the provisions of the new Article 15 of the Regulations, regulating the duties of the Appointments and Compensation Committee, that members of the Executive Committee will be appointed at the proposal of said Appointments and Compensation Committee.

*(b) Audit and Compliance Committee*

**Article 23**, on the Audit and Compliance Committee, incorporates the provisions of Article 529 *quaterdecies* of the Capital Corporations Law regarding the composition and duties thereof.

In this regard, it is worth noting that the duties thereof are expanded, incorporating Recommendations 40, 41, 42, 43 and 44 of the Corporate Governance Code, which, *inter alia*, require approval of the orientation and work plans for the internal audit by the Audit and Compliance Committee, ensuring that its activity is focused primarily on relevant risks for the Company, significantly expand its powers in relation to the external audit, and require that it remain apprised of any transactions that would implement structural changes.

Furthermore, based on the Code and due to the relevance of corporate governance and corporate social responsibility, the Audit and Compliance Committee is granted the duties listed in Recommendation 53. In particular, this includes duties, *inter alia*, to monitor compliance with corporate governance rules, the ethics code and the corporate social responsibility policy; duties *related to the strategy for communications and relations with shareholders and investors, including small and medium shareholders, as well as with interest groups*; duties related to the *assessment of all aspects related to non-financial risks*; and *coordination of the process for reporting non-financial and diversity information*.

*(c) Appointments and Compensation Committee*

The changes introduced in **Article 24** of the Board of Directors Regulations, governing the composition and powers of the Appointments and Compensation Committee, follow the same direction as the other changes previously described herein.

On the one hand, the changes incorporate all of the provisions of Article 529 *quindecies* in relation to what the law describes as an appointments and compensation committee.

On the other hand, the amendments go beyond the legal framework, expanding the duties of the Appointments and Compensation Committee to include nearly all of the content of Recommendations 25 and 50 of the Corporate Governance Code.

In this regard, the Committee has the following powers: *"To ensure that the non-executive directors have enough time to properly perform their duties"*; *"To establish a representation goal for the least-represented gender on the Board of Directors and*

*develop guidelines on how to reach such objectives"; "To report on the basic contracting conditions and, in the case of appointment of senior executives, on compensation"; "To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee"; "To assess and coordinate the removal of the Chairman of the Board of Directors and the Company's CEO and, as the case may be, develop proposals for the Board of Directors such that said removal may be completed as smoothly and orderly as possible"; "To propose the Directors' Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring compliance therewith"; "To verify information regarding compensation of directors and senior executives provided in various corporate documents, including the annual report on director compensation."*

## **2.8 Title Seven: Rights and Duties of Directors (Articles 25–28)**

The articles regulating the rights and duties of the directors were revised in order to bring the content in line with the wording of the Law, thus giving rise to the new Articles 25 (Duty of Due Diligence), 26 (Duty of Loyalty), 27 (Duty of Confidentiality) and 28 (Conflict of Interest), which implement a more clear and systematic regime of rights and duties for the directors, based on the new legal regime provided for in the Capital Corporations Law following reforms implemented by Law 31/2014.

Due to the changes and elimination of the former Article 27, the numbering of the articles in this section is changed.

**Articles 25 and 26** develop the general framework for the duties of directors, in line with the provisions of Articles 225, 226 and 227 of the Capital Corporations Law, which were subject to an in-depth revision by the aforesaid Law 31/2014. The proposals provide that diligence in carrying out positions shall be assessed based on the duties attributed to each director and expressly includes the duty of the director to act independently without the interference of third parties.

**Article 27** substantially reproduces the content of Article 228 of the Capital Corporations Law, which was modified by Law 31/2014. Finally, **Article 28**, on conflicts of interest, incorporates the content of Article 229 of the Capital Corporations Law. This article lists the following as conduct in violation of the duty of loyalty:

- Carrying out transactions with the Company, except as related to ordinary transactions, which are made under standard conditions for all clients and are immaterial, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.
- Using corporate assets, including the Company's confidential information, for private purposes.
- Taking advantage of the Company's business opportunities.
- Obtaining advantages or compensation from third parties other than the Company and its group for performing their duties, excluding as minor hospitality.

- Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.

Nevertheless, it is also established that the Company may waive fulfillment of obligations under the duty of loyalty by authorization of the Board of Directors, or for the most significant issues, by authorization of the General Meeting.

## **2.9 Title Eight: Directors' Right to Information (Article 29)**

The new **Article 29** codifies the duty to request and the right to collect information from the Company as required to carry out office, primarily following the current system.

## **2.10 Title Nine: Directors' Compensation (Article 30)**

The reform of the compensation regime set forth in Article 30 introduces the changes made to Article 41 of the Corporate Bylaws by virtue of the reform approved by the General Shareholders' Meeting on April 27, 2015.

This amendment redefined and clarified the compensation regime for directors, significantly improving transparency by giving the General Meeting the power to determine the maximum global and annual amounts that the Directors of Endesa may earn for their condition as such.

The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limit set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Notwithstanding the above, the Directors, regardless of their category, may waive their right to receive compensation as a fixed monthly salary and/or allowances for attendance at meetings of the Board of Directors, the Executive Committee and/or other Committees.

This amendment is made in compliance with the changes to the bylaws and reproduces for Board members that have been appointed as managing directors or to whom executive duties were otherwise granted the applicable legal regime in accordance with the provisions of Article 249 of the Capital Corporations Law, following the reform carried out under Law 31/2014, taking into consideration the provisions of Articles 529 *septdecies*, 529 *octodecies* and 529 *novodecies* of the Capital Corporations Law.

## **2.11 Title Ten: Relationships of the Board of Directors (Articles 31–34)**

The changes made to the articles under this title are primarily aimed at incorporating corporate governance improvements as set forth in Recommendations 32 and 42.2 of the Corporate Governance Code.

**Article 31** states that Endesa must be regularly notified of any changes to shareholdings and of the opinions held by the significant shareholders, investors and credit rating agencies regarding its Company and group, with a view to reinforcing the information available to the Board of Directors regarding Endesa's shareholding structure.

Furthermore, in relation to the Company's website, these updates establish the right of the Board of Directors to delegate responsibility to the Secretary for updating information on the website and ensuring the adequacy of its content.

Likewise, **Article 33**, on relations with auditors, provides that the Board of Directors must hold an annual meeting with the external auditor in order to ensure that they are up to date on the work carried out and the performance of the accounting position and risks faced by the Company.

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ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS	ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS	ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS
CURRENT TEXT	PROPOSED TEXT	JUSTIFICATION
PREAMBLE	PREAMBLE	PREAMBLE
1. The Board of Directors of ENDESA approves these Regulations which define the duties and powers of the Board itself, the rules and procedures that regulate its conduct, and the rules of conduct governing its members.	<del>1. The Board of Directors of ENDESA approves these Regulations which define the duties and powers of the Board itself, the rules and procedures that regulate its conduct, and the rules of conduct governing its members.</del>	The proposed change involves eliminating the Preamble, which is considered nonessential, in order to ensure a more clear, concise and brief text.
2. The Regulations were prepared bearing in mind the rules on good corporate governance and in line with the Company's commitment to transparent management.	<del>2. The Regulations were prepared bearing in mind the rules on good corporate governance and in line with the Company's commitment to transparent management.</del>	
The Regulations first address the need to promote transparency in the conduct of the Company's governing bodies and in all its relationships, in particular with its own shareholders.	<del>The Regulations first address the need to promote transparency in the conduct of the Company's governing bodies and in all its relationships, in particular with its own shareholders.</del>	
Second, they address the need to encourage effective business management.	<del>Second, they address the need to encourage effective business management.</del>	
Third, the Regulations seek to strengthen another basic principle, namely, the ability to hold Senior Management and the Board itself accountable to the shareholders in their respective areas of responsibility.	<del>Third, the Regulations seek to strengthen another basic principle, namely, the ability to hold Senior Management and the Board itself accountable to the shareholders in their respective areas of responsibility.</del>	
3. Based on these principles, the Regulations include an extensive range of provisions that enable the Board to effectively perform its duties:	<del>3. Based on these principles, the Regulations include an extensive range of provisions that enable the Board to effectively perform its duties:</del>	
A) First, they broadly describe the Board's mission and, coupled with the more traditional tasks and duties relating to the governance and management of the Company, puts particular emphasis on the approval of each of the main aspects of its business strategy and on the promotion, monitoring and evaluation of the Company's management.	<del>A) First, they broadly describe the Board's mission and, coupled with the more traditional tasks and duties relating to the governance and management of the Company, puts particular emphasis on the approval of each of the main aspects of its business strategy and on the promotion, monitoring and evaluation of the Company's management.</del>	
B) Another relevant issue addressed by the Regulations is the development via the Bylaws of the structure and composition of the Board itself. The Board must have at	<del>B) Another relevant issue addressed by the Regulations is the development via the Bylaws of the structure and composition of the Board itself. The Board must have at</del>	

<p>least nine but no more than fifteen Directors.</p>	<p><del>least nine but no more than fifteen Directors.</del></p>	
<p>C) As regards the Company's officers, the Regulations establish a scheme for the separation and differentiation of duties between the Chairman and the Chief Executive Officer: the Chairman is responsible for representing the Company and promoting its governance, paying particular attention to the business strategy, as well as for directing the functioning of the Board, whereas the Chief Executive Officer is the highest authority on business management.</p>	<p><del>C) As regards the Company's officers, the Regulations establish a scheme for the separation and differentiation of duties between the Chairman and the Chief Executive Officer: the Chairman is responsible for representing the Company and promoting its governance, paying particular attention to the business strategy, as well as for directing the functioning of the Board, whereas the Chief Executive Officer is the highest authority on business management.</del></p>	
<p>The Executive Committee will be delegated by the Board to deal with issues relating to the management of the Company and shall pay particular attention to monitoring compliance with strategic and corporate development guidelines, as well as to monitoring implementation of budgets and overseeing corporate management.</p>	<p><del>The Executive Committee will be delegated by the Board to deal with issues relating to the management of the Company and shall pay particular attention to monitoring compliance with strategic and corporate development guidelines, as well as to monitoring implementation of budgets and overseeing corporate management.</del></p>	
<p>The Audit and Compliance Committee will supervise the effectiveness of the Company's internal controls and risk management systems; ensure that internal audit procedures and internal oversight systems are adequate; ensure that objective criteria are used to select the statutory auditors and the Internal Audit Manager; and, in general, ensure that information on the Company is correct and consistent with the principle of transparency. The specific mission of this Committee shall be to make it easier for the shareholders of the Company to receive adequate information on the Company's position and prospects.</p>	<p><del>The Audit and Compliance Committee will supervise the effectiveness of the Company's internal controls and risk management systems; ensure that internal audit procedures and internal oversight systems are adequate; ensure that objective criteria are used to select the statutory auditors and the Internal Audit Manager; and, in general, ensure that information on the Company is correct and consistent with the principle of transparency. The specific mission of this Committee shall be to make it easier for the shareholders of the Company to receive adequate information on the Company's position and prospects.</del></p>	
<p>The Appointments and Compensation Committee shall report on the proposal, appointment and removal of Directors as well as on their assignment to the Executive Committee and Board Committees, and on their compensation levels. The Committee shall also have the duty to monitor the company's Senior Management as regards appointments and removals as well as to assess its promotion, training and recruitment policy for executives, their compensation schemes and levels, and the appointment to positions and areas of responsibility.</p>	<p><del>The Appointments and Compensation Committee shall report on the proposal, appointment and removal of Directors as well as on their assignment to the Executive Committee and Board Committees, and on their compensation levels. The Committee shall also have the duty to monitor the company's Senior Management as regards appointments and removals as well as to assess its promotion, training and recruitment policy for executives, their compensation schemes and levels, and the appointment to positions and areas of responsibility.</del></p>	

<p>Lastly, the Board may set up Advisory Councils which, without having the status of corporate bodies, can discuss, study and report on issues related to their responsibility for defining the corporate strategy, including, in particular, on the prospects for change in the business environment; market and industry projections; technological advances; or new approaches to corporate organization and to dealings between enterprises against the backdrop of a global economy.</p>		
	<p><b><u>PRELIMINARY PROVISION</u></b></p>	
<p><b>Article 1. Purpose</b></p>	<p><b>Article 1. Purpose</b></p>	
<p>These Regulations are aimed at regulating the duties of the Board, pursuant to the principle of transparency, paying particular attention to leading, supervising and monitoring management of the company and its group; the organization and functioning thereof; and the rules of conduct governing its members.</p>	<p>These Regulations <u>contain the specific measures designed to foster the best management of the Company</u> and are aimed at regulating the duties of the Board, <del>pursuant to the principle of transparency, paying particular attention to leading, supervising and monitoring management of the company and its group;</del> as well as the organization and functioning thereof; <del>and the rules of conduct governing its members,</del> <u>in accordance with law and the Bylaws.</u></p>	<p>The proposed change develops the purpose of the Regulations, acknowledging that the Regulations contain specific measures aimed at ensuring the best possible management of the Company (in line with the provisions of Article 528 of the Capital Corporations Law).</p>
<p><b>Article 2. Scope of Application</b></p>	<p><b>Article 2. Scope of Application</b></p>	
<p>2.1 These Regulations shall apply to the Board of Directors and its delegated bodies, internal committees and Directors who, as members of the Board, form part of the will of said body. The Directors have a duty to be apprised of, as well as to comply and enforce compliance with, these Regulations.</p>	<p>2.1 These Regulations shall apply to the Board of Directors and its delegated bodies, internal committees and Directors who, as members of the Board, form part of the will of said body. The Directors have a duty to be apprised of, as well as to comply and enforce compliance with, these Regulations.</p>	<p>In accordance with the provisions of Article 529 of the Capital Corporations Law, <b>Article 2.2</b> of the Regulations goes into detail on the publication scheme for the Regulations, expressly requiring that they be published on the Company's website, registered with the Mercantile Registry and reported to the General Shareholders' Meeting.</p>
<p>2.2 The Board shall adopt all necessary measures to ensure the widespread publication of these Regulations among the shareholders.</p>	<p>2.2 The Board shall adopt all necessary measures to ensure the widespread publication of these Regulations <del>among the shareholders.</del> <u>For these purposes, these Regulations shall be reported to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores - "CNMV"), published on the Company's website, registered with the Mercantile Registry and reported to the General Shareholders' Meeting.</u></p>	

<p><b>Article 3. Interpretation</b></p>	<p><b>Article 3. Interpretation</b></p>	
<p>3.1 These Regulations supplement and are ancillary to the provisions of the Corporate Bylaws and commercial and securities market legislation governing the Board.</p>	<p>3.1 These Regulations <del>supplement and are ancillary, implement and supplement</del> the Corporate Bylaws and <del>applicable commercial and securities market legislation governing the Board</del> <u>applicable legal regulations.</u></p>	
<p>3.2 The Board shall have the power to resolve any questions of interpretation or application hereof, in accordance with such legal and Bylaw provisions as may be applicable, as well as with the principles and recommendations set forth in good corporate governance codes.</p>	<p>3.2 The Board shall have the power to resolve any questions of interpretation or application hereof, in accordance with such legal and Bylaw provisions as may be applicable, as well as with the principles and recommendations set forth in good corporate governance codes.</p>	
<p><b>Article 4. Amendments</b></p>	<p><b>Article 4. Amendments</b></p>	
<p>4.1 The Board shall have the authority to amend these Regulations subject to the requirements set forth in this Article.</p>	<p>4.1 The Board shall have the authority to amend these Regulations subject to the requirements set forth in this Article.</p>	
<p>4.2 Such amendments may be proposed by the Chairman or one third of the Board members when, in their opinion, circumstances which render said amendment convenient or necessary exist. For such purpose, any such amendments shall be submitted together with a justifying report presenting the reasons for and the scope of the amendments.</p>	<p>4.2 Such amendments may be proposed by the Chairman or one third of the Board members when, in their opinion, circumstances which render said amendment convenient or necessary exist. For such purpose, any such amendments shall be submitted together with a justifying report presenting the reasons for and the scope of the amendments.</p>	
<p>In such case, the Board meeting shall be called by individual notice made sufficiently in advance to each Board member. Said notice shall be accompanied by the report justifying the proposed amendment.</p>	<p>In such case, the Board meeting shall be called by individual notice made sufficiently in advance to each Board member. Said notice shall be accompanied by the report justifying the proposed amendment.</p>	
<p>4.3 Any amendments proposed to the Regulations shall require the approval of the majority of the Board members.</p>	<p>4.3 Any amendments proposed to the Regulations shall require the approval of the majority of the Board members.</p>	
<p>4.4 The Board of Directors shall report on any amendments approved thereby at the next General Shareholders' Meeting.</p>	<p>4.4 The Board of Directors shall report on any amendments approved thereby at the next General Shareholders' Meeting.</p>	
	<p><b><u>TITLE I GENERAL DUTIES, POWERS AND PRINCIPLES OF ACTION OF THE BOARD OF</u></b></p>	

	<u><b>DIRECTORS</b></u>	
<b>Article 5. Structure and Composition of the Board of Directors</b>	<b><u>Article 5. Principles of Action</u></b>	
<i>[Note: the content of this article has been moved to Articles 7 and 8]</i>	<u>The Board of Directors shall perform its duties with unity of purpose and independent judgment, providing equal treatment to all Company shareholders in the same situation, and shall be guided by the best interests of the Company, which shall be understood as developing a profitable business that can be sustained in the long term, promoting the viability of the Company and maximizing its financial value. In pursuing the corporate interests, the Board shall, in addition to abiding by laws and regulations, following good faith and ethical principles and observing commonly accepted customs and good practices, aim to reconcile the corporate interests with, as applicable, the legitimate interests of its employees, suppliers, clients and other interest groups that may be affected, as well as with the impact of the Company's activities on the environment and the community as a whole.</u>	<p>The proposed changes involve developing a new article that would address the general principles that should govern the conduct of the Board of Directors, substantially reproducing the content of Recommendation 12 of the Corporate Governance Code.</p> <p>This formalizes the Board of Directors' commitment to the principles that should govern their conduct, i.e. the principles of independence, non-discrimination and pursuit of the corporate interests.</p>
<b>Article 6. Powers of the Board of Directors</b>	<b><u>Article 6. General Duties and Powers</u> <del>Powers of the</del> <b>of the Board of Directors</b></b>	
	<u>6.1—As provided by law and the Corporate Bylaws, the Board of Directors shall be the highest governing body representing the Company.</u>	<p>The proposed changes include both reorganizing the powers attributed to the Board of Directors and also expressly adding new "non-delegable powers" as identified in the new Law, which, in many cases, supplement the powers that have already been granted to the Board in the Regulations.</p> <p>In this regard, Article 6 reconfigures the powers of the Board of Directors, strengthening the supervisory duties thereof in line with Articles 249 bis and 529 ter of the Capital Corporations Law and, in particular, expressly includes the following powers:</p> <ul style="list-style-type: none"> <li>• <u>In relation to the Company's general policies and strategies:</u> to approve the</li> </ul>
	<u>6.2 The Board of Directors has the authority to adopt resolutions on all matters not assigned to the General Shareholders' Meeting by law, the Corporate Bylaws or the General Shareholders' Meeting Regulations.</u>	
6.1 Notwithstanding the powers reserved to the General Shareholders' Meeting by law or the Bylaws, the main mission of the Board is to promote the governance of the Company and its Group, having full authority in such regard to direct, manage and represent the Company in the pursuit of those activities included in its corporate	<u>6.3 The Board of Directors shall have the broadest powers and authority to operate. <del>Notwithstanding the powers reserved to the General Shareholders' Meeting by law or the Bylaws, the main mission of the Board is to promote the governance of the Company and its Group, having full authority in such regard to</del> direct, manage and represent the <del>Company in the pursuit of these activities</del></u>	

<p>purpose.</p>	<p><del>included in its corporate purpose. Company. As a general rule, the Board shall entrust daily management of the Company to the delegated governing bodies and shall focus its activities on supervising and discussing matters of particular importance to the Company and its group of companies.</del></p>	<p>Company's management objectives, incorporate tax matters in the risk management and control policy and monitor the internal control and reporting systems.</p> <ul style="list-style-type: none"> <li>• <u>In relation to management of the Company:</u> to approve the investments and divestments that pose particular tax risks, define the Company's tax strategy, approve the creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the Company or its group.</li> <li>• <u>In relation to the organization and functioning:</u> to waive the obligations of the Directors arising under the duty of loyalty in the terms provided by law, except when the General Shareholders' Meeting has the sole authority to grant such waiver, and to approve transactions carried out by the Company and its group companies with directors and significant shareholders, or with related parties thereto, under the terms provided by law.</li> </ul> <p>It is worth noting in relation to this point that although such power is not currently expressly provided for in the Regulations, in practice, the Board has been exercising this power under the terms provided in the Procedures for Related-Party Transactions</p>
<p>Notwithstanding the above, the Board of Directors shall focus its activity on the general duty of oversight, for which purpose its duties shall include, <i>inter alia</i>, defining the general strategy and guidelines for managing the Company, promoting and overseeing management by Senior Executives, establishing the foundations for the corporate organization with a view to ensuring its improved efficiency, monitoring the transparency and truthfulness of the Company's information in its dealings with shareholders and the markets in general, and overseeing the organization and functioning of the Board itself.</p>	<p><del>Notwithstanding the above, the Board of Directors shall focus its activity on the general duty of oversight, for which purpose its duties shall include, <i>inter alia</i>, defining the general strategy and guidelines for managing the Company, promoting and overseeing management by Senior Executives, establishing the foundations for the corporate organization with a view to ensuring its improved efficiency, monitoring the transparency and truthfulness of the Company's information in its dealings with shareholders and the markets in general, and overseeing the organization and functioning of the Board itself.</del></p>	
<p>6.6 The Board shall also be responsible, to the extent permitted by law, for establishing the foundations for the proper and efficient coordination between the Company and its investees, in all cases respecting the decision-making independence of their governing bodies and executives in conformity with the Company's own interests and those of each of its investees.</p>	<p>6.4 The Board shall also be responsible, <del>to the extent permitted by law,</del> for establishing the foundations for the proper and efficient coordination between the Company and <del>investees</del> <u>those companies belonging to the corporate group over which the Company is the parent, in accordance with law</u>, in all cases respecting the decision-making independence of their governing bodies and executives in conformity with the Company's own interests and those of each of <u>the aforesaid companies</u> <del>its investees.</del></p>	
	<p><u>6.5 In particular, the Board of Directors shall be in charge of the following matters:</u></p>	
	<p>6.5.1. General Shareholders' Meeting:</p>	
	<p>A) Call the General Shareholders' Meeting, establish the agenda for the meeting and draft the relevant proposed resolutions.</p>	
	<p>B) Propose amendments of the Corporate Bylaws</p>	

	and of the General Shareholders' Meeting Regulations to the General Shareholders' Meeting.	<p>(under review as of the date of this report).</p> <ul style="list-style-type: none"> <li><u>In relation to Directors and Senior Executives:</u> to monitor the Senior Executives' actions and demand accountability for their decisions, approve contracts executed between the Company and any Board members that have been appointed as managing directors or to whom executive duties are otherwise granted, and establish the basic terms of the contracts for Senior Executives, including as regards compensation.</li> <li><u>Assessment of the Board:</u> to propose an action plan to correct deficiencies identified based on the results of each annual assessment.</li> </ul> <p>In line with Endesa's commitment to transparency, the new proposed text provides for the assistance of an external independent consultant in assessing the Board of Directors, thus complying with Recommendation 36 of the Corporate Governance Code ("Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant.")</p>
	C) Submit the acquisition, disposal or transfer of essential assets to another company to the General Shareholders' Meeting.	
	D) Execute resolutions passed by the General Shareholders' Meeting.	
6.2 In relation to the Company's general policies and strategies, the Board shall be responsible for the following:	<del>6.2</del> <u>6.5.2</u> In relation to the Company's general policies and strategies, the Board shall be responsible for the following:	
A) Approving the business plan, investment and financing policy, and the definition of the Group's structure.	A) Approving the <u>strategic or</u> business plan, <u>management objectives, annual budgets</u> , and investment and financing policies of the Company and its group <del>and the definition of the Group's structure</del> , as well as the basic aspects of the <u>general strategy</u> .	
B) Approving those proposals made by the Company that establish economic objectives, basic aspects of the general strategy, and the plans and policies aimed at meeting those objectives.	B) Approving <del>those proposals made by the Company that establish economic objectives, basic aspects of the general strategy and the plans and policies aimed at meeting those objectives</del> the definition of the <u>Corporate</u> Group's structure.	
C) Establishing the policy for reporting to and communicating with shareholders, the markets and public opinion, through any existing technological and communication means.	C) Establishing the policy for reporting to and communicating with shareholders, the markets and public opinion, through any existing technological and communication means.	
D) Overseeing commercial, industrial or financial agreements of strategic importance.	D) Overseeing commercial, industrial or financial agreements of strategic importance.	
E) Establishing the corporate governance policy.	<del>E)</del> <u>E)</u> Establishing the corporate governance policy <u>of the Company and its group</u> .	
F) Establishing the corporate social responsibility policy.	<del>F)</del> <u>F)</u> <u>Establishing Approving</u> the corporate social responsibility policy.	
G) Establishing compensation and job performance	<del>G)</del> <u>G)</u> <u>Establishing compensation and job performance</u>	

<p>policies for senior executives.</p>	<p><del>policies for senior executives.</del></p>
<p>H) Setting the policy for risk control and management and monitoring internal control and reporting systems.</p>	<p><del>G) H)</del> Setting the policy for risk control and management, <u>monitoring including as regards tax risks, and monitoring</u> internal control and reporting systems.</p>
<p>I) Establishing the dividend and treasury stock policies in compliance with the guidelines and limits established by the General Shareholders' Meeting.</p>	<p><del>H) I)</del> <del>Establishing</del> <u>Approving</u> the dividend and treasury stock policies in compliance with the guidelines and limits established by the General Shareholders' Meeting.</p>
<p>6.3 In relation to management, the Board shall be responsible for:</p>	<p><del>6.36.5.3.</del> In relation to management, the Board shall be responsible for:</p>
<p>F) Establishing the general organizational principles of the Company and its Group.</p>	<p><del>A) F)</del> Establishing the general organizational principles of the Company and its Group.</p>
<p>A) Promoting and overseeing the management of the Company, as well as fulfillment of the objectives set.</p>	<p><del>B) A) Promoting and overseeing the management of the Company, as well as fulfillment of the objectives set.</del> <u>Ensuring transparency in the Company's relations with third parties, in accordance with the provisions of Articles 32, 33, 34 and 35 of these Regulations.</u></p>
<p>B) Performing the duties entrusted to the Board by the General Shareholders' Meeting, which may only be delegated if the resolution of the Shareholders' Meeting expressly so provides.</p>	<p><del>C) B)</del> Performing the duties entrusted to the Board by the General Shareholders' Meeting, which may only be delegated if the resolution of the Shareholders' Meeting expressly so provides.</p>
<p>C) Resolving on the incorporation of new companies or taking up holdings in existing companies which, due to their amount or nature, are relevant for the company, and performing mergers, absorptions, spin-offs or concentrations in which the Company has an interest.</p>	<p><del>D) C)</del> Resolving on the incorporation of new companies or taking up holdings in existing companies which, due to their amount or nature, are relevant for the <del>company</del> <u>Company</u>, and performing mergers, absorptions, spin-offs or concentrations in which the Company has an interest.</p>
<p>D) Approving acquisitions and disposals of substantial assets and holdings in the share capital of companies, as well as any financial transactions of the Company that have a significant impact on the net worth position or which, due to any circumstance, are particularly significant.</p>	<p><del>D) Approving acquisitions and disposals of substantial assets and holdings in the share capital of companies, as well as any financial transactions of the Company that have a significant impact on the net worth position or which, due to any circumstance, are particularly significant.</del></p>
<p>E) Approving investments and divestments which, due to their amount or nature, significantly affect the</p>	<p><del>E) E)</del> Approving investments and divestments which, due to their <u>elevated</u> amount or nature, significantly affect</p>

Company's net worth position or strategy.	the Company's net worth position or strategy, <u>or that pose particular tax risks, except when approval thereof is the responsibility of the General Shareholders' Meeting.</u>	
	<u>F) Establishing the Company's tax strategy.</u>	
	<u>G) Approving, following a report from the Audit and Compliance Committee, the creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the Company or its group.</u>	
F) Establishing general rules that regulate real estate transactions not related to industrial investments and divestments.	<u>H) F) —Establishing general rules that regulate real estate transactions not related to industrial investments and divestments.</u>	
G) Approving the issue of promissory notes, debentures or other similar securities.	<u>I) G) —Approving the issue of promissory notes, debentures or other similar securities. —Establishing general rules that regulate financial transactions and approving the most significant transactions.</u>	
H) Providing guarantees to secure obligations of entities that are not Endesa investees.	<u>H) —Providing guarantees to secure obligations of entities that are not Endesa investees.</u>	
I) Approving the assignment of rights to the tradename and trademarks.	<u>J) I) —Approving the assignment of rights to the tradename and trademarks.</u>	
J) Overseeing those commitments under employee welfare systems that entail long-term financial liabilities for the company.	<u>K) J) —Overseeing those commitments under employee welfare systems that entail long-term financial liabilities for the <del>company</del> Company.</u>	
K) Setting the general rules for the appointment of directors in investee companies, approving the proposed appointment of such in directly held investee companies, as well as being apprised of any appointments made in indirectly held investees, all of which shall comply with the aforementioned rules.	<u>L) K) —Setting the general rules for the appointment of directors in investee companies and approving <del>Approving</del> the proposed appointment of <del>such directors</del> in the <u>most significant</u> directly held investee companies, <u>or which are stable and of particular economic relevance,</u> as well as being apprised of any appointments made in <u>the most significant</u> indirectly held investees, <del>all of which shall comply with the aforementioned rules.</del></u>	
The Board shall also approve proposed appointments of		

Directors at companies in which Endesa has a shareholding that, despite not being a majority holding, is stable and of particular economic relevance.		
L) Approving the rules and procedures for appointments, removals and compensation applicable to Senior Management, notwithstanding the powers granted to the Committee for such purpose and the powers, in this matter, of the Chief Executive Officer.	<del>L) Approving the rules and procedures for appointments, removals and compensation applicable to Senior Management, notwithstanding the powers granted to the Committee for such purpose and the powers, in this matter, of the Chief Executive Officer.</del>	
M) Regulating the Company's procurement policy for assets, works and services.	<del>M) M)</del> Regulating the Company's procurement policy for assets, works and services.	
6.4 In relation to the organization and functioning, the Board shall be responsible for:	<del>6.4</del> <u>6.5.4</u> . In relation to the organization and functioning, the Board shall be responsible for:	
A) Determining the powers and authorities which may be delegated to the Chief Executive Officer.	<del>A) Determining the powers and authorities which may be delegated to the Chief Executive Officer.</del>	
**	<u>A) Delegating duties to the Executive Committee, Chairman, Chief Executive Officer and, on an exceptional basis, to the Committees set forth herein.</u>	
	<u>B) Monitoring the operation of the Executive Committee and, as the case may be, the Committees of the Board, as well as the actions of the delegated bodies.</u>	
	<u>C) Waiving the Directors' obligations arising under the duty of loyalty in the terms provided for by law, except when the General Shareholders' Meeting has competency over said waiver.</u>	
	<u>D) Approving, following a report from the Audit and Compliance Committee, any transactions carried out by the Company and its group companies with directors and significant shareholders, or with related parties thereto, under the terms provided by law.</u>	
D) Making and revoking the appointments of the Chairman and the Vice-Chairmen of the Board, and making and revoking, at the Chairman's proposal, the appointments of the Chief Executive Officer and the Secretary of the Board.	<u>E) Following a report from the Appointments and Compensation Committee, making</u> <del>Making</del> and revoking the appointments of the Chairman and the Vice-Chairmen of the Board, and making and revoking, at the Chairman's proposal, <del>the appointments of the Chief Executive Officer</del>	

	<del>and the Secretary of the Board, following a report from the Appointments and Compensation Committee, the appointment of the Secretary of the Board and, as the case may be, the Vice-Secretary.</del>	
E) Approving, at the proposal of the Chief Executive Officer, the appointment and potential removal of senior executives, as well as regards their indemnity clauses, without prejudice to the competencies of the Appointments and Compensation Committee.	<del>E) Approving, at the proposal of the Chief Executive Officer, the appointment and potential removal of senior executives, as well as regards their indemnity clauses, without prejudice to the competencies of the Appointments and Compensation Committee.</del>	
	<u>6.5.5. As regards financial reporting, the Annual Financial Statements, the management report and the annual corporate governance report:</u>	
	<u>A) The Board of Directors shall be responsible for, following a report from the Audit and Compliance Committee, approving the financial information that the Company is required, by virtue of its status as a listed company, to periodically make public.</u>	
<b>Article 7. Specific duties relating to the annual financial statements, management report and corporate governance report</b>	<del><b>Article 7. Specific duties relating to the annual financial statements, management report and corporate governance report</b></del>	
7.1 Following the relevant report from the Audit and Compliance Committee, the Board shall formally prepare the individual and consolidated annual financial statements and management reports in clear and precise terms so as to facilitate proper understanding of their contents. The Board shall ensure that they present a true and fair view of the equity, financial position, and performance of the company, pursuant to the provisions of law.	<u>B) Following the relevant report from the Audit and Compliance Committee, the Board shall formally prepare the individual and consolidated annual financial statements and management reports in clear and precise terms so as to facilitate proper understanding of their contents and shall present them to the General Shareholders' Meeting.</u> The Board shall ensure that they present a true and fair view of the equity, financial position, and performance of the <u>Company</u> , pursuant to the provisions of <u>Law</u> .	
7.2 Before approving the preparation of the annual financial statements as required by law, all Directors shall have the necessary information for doing so and may, if appropriate, express such reservations as they deem	<u>C) Before approving the preparation of the annual financial statements as required by Law, all Directors shall have the necessary information for doing so and may, if appropriate, express</u>	

appropriate.	such reservations as they deem appropriate.	
7.3 The Board of Directors shall approve an annual Corporate Governance Report in such terms as may be established by statute or regulations.	D) The Board of Directors shall approve <del>an annual</del> <u>and publish an annual</u> Corporate Governance Report in such terms as may be established by statute or regulations.	
	<u>6.5.6. Directors and Senior Executives:</u>	
	<u>A) Establishing compensation and performance assessment policies for executives that report directly to the Board of Directors or to any Director, as well as for the Internal Audit Director and any other executive deemed by the Board to be a Senior Executive (the "Senior Executives").</u>	
	<u>B) Monitoring the performance of Senior Executives, demanding explanations for their decisions and assessing their overall management.</u>	
	<u>C) Approving regulations and procedures for the appointment and removal of Senior Executives.</u>	
	<u>D) Following a report from the Appointments and Compensation Committee, appointing and removing Senior Executives and establishing the key terms of their contracts, including compensation.</u>	
B) Making interim appointments of Directors, if a vacancy arises, until the first General Shareholders' Meeting is held, and accepting the resignation of Directors.	<u>E) <del>B)</del> Making interim appointments of Directors, if a vacancy arises, following a report or proposal from the Appointments and Compensation Committee,</u> until the first General Shareholders' Meeting is held, and accepting the resignation of Directors.	
C) Appointing and removing Directors forming part of the Executive Committee and of the Committees provided for in these Regulations and delegating powers to the Executive Committee, the Chairman, the Chief Executive Officer and, on an exceptional basis, the Committees established in these Regulations.	<u>F) <del>C)</del> Appointing and removing Directors forming part of the Executive Committee, as the case may be, and of the Committees provided for in these Regulations</u> <del>and delegating powers to the Executive Committee, the Chairman, the Chief Executive Officer and, on an exceptional basis, the Committees established in these Regulations.</del> <u>Approving the appointment and removal of the Company's managing directors following a proposal</u>	

	<a href="#">by the Chairman of the Board of Directors.</a>	
	<a href="#">G) Approving agreements between the Company and those Board members that have been appointed as managing directors or to whom executive duties were otherwise entrusted.</a>	
6.5 On an annual basis, the Board shall evaluate:	<a href="#">6.6</a> On an annual basis, the Board <a href="#">of Directors</a> shall evaluate:	
A) The quality and efficiency of the operations of the Board.	A) <del>The</del> <a href="#">Following a report</a> from the Appointments and Compensation Committee, <a href="#">the</a> quality and efficiency of the operations of the Board.	
B) The performance of duties by the Board Chairman and by the Chief Executive Officer, in view of the report submitted thereto by the Appointments and Compensation Committee.	B) The performance of duties by the Board Chairman and by the Chief Executive Officer, in view of the report submitted thereto by the Appointments and Compensation Committee.	
C) The functioning of its Committees, in view of the report submitted thereby to the Board.	C) The functioning <a href="#">and composition</a> of its Committees <a href="#">and of the Executive Committee, as the case may be</a> , in view of the report submitted thereby to the Board.	
	<a href="#">The Board of Directors shall propose, based on the results of the assessment, an action plan to correct any identified deficiencies. The results shall be included in the meeting minutes or as an attachment thereto.</a>	
	<a href="#">Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant.</a>	
6.7 The Board of Directors shall issue Regulations governing related party transactions, subject to the applicable legal provisions.	6.7 The Board of Directors shall issue Regulations governing related party transactions, subject to the applicable <del>law</del> <a href="#">Law</a> .	
<b>Article 16. Advisory Councils</b>	<del><b>Article 16. Advisory Councils</b></del>	
16.1 The Board may resolve upon the creation of Advisory Councils that, although not considered corporate bodies, study and report on such issues as the Board may deem to be of interest to the performance of its duties.	<a href="#">6.8</a> The Board may resolve upon the creation of Advisory Councils that, although not considered corporate bodies, study and report on such issues as the Board may deem to be of interest to the performance of its duties.	

<p>16.2 The Board shall approve the appointments of Advisory Council members as proposed by the Chairman. Advisory Council members must be individuals of renowned prestige by virtue of their professional credentials in Spain or abroad.</p>	<p>The Board shall approve the appointments of Advisory Council members as proposed by the Chairman. Advisory Council members must be individuals of renowned prestige by virtue of their professional credentials <del>in Spain or abroad.</del></p>	
<p>16.3 The Board shall also, at the Chairman's proposal, approve the matters to be studied by the Advisory Council members and, in particular, those aimed at attaining enhanced knowledge of the company's environment and of the prospects for change in the Spanish and international markets, developments in applied technologies or in the organization of enterprises, as well as the integration and consolidation of the Group's companies.</p>	<p>The Board shall also, at the Chairman's proposal, approve the matters to be studied by the Advisory Council members and, in particular, those aimed at attaining enhanced knowledge of the <u>Company's</u> environment and of the prospects for change in <del>the Spanish and international markets;</del> <u>different markets</u>, developments in applied technologies or in the organization of enterprises, as well as the integration and consolidation of the Group's companies.</p>	
<p>The powers set forth in the preceding paragraphs relating to the duties of the Board are without limitation and are deemed to also include any other powers which, although not expressly referred to herein, relate to said duties and which should be reasonably reserved to the Board for decision or consultation purposes, whether due to their similarity or relevance to, or which can be inferred from, the powers set forth herein.</p>	<p><u>6.9</u> The powers set forth in the preceding paragraphs relating to the duties of the Board are without limitation and are deemed to also include any other powers which, although not expressly referred to herein, relate to said duties and which should be reasonably reserved to the Board for decision or consultation purposes, whether due to their similarity or relevance to, or which can be inferred from, the powers set forth herein.</p>	
<p>The Board of Directors may approve rules that implement and coordinate the exercise of these powers.</p>	<p>The Board of Directors may approve rules that implement and coordinate the exercise of these powers.</p>	
	<p><u>6.10 In the event of duly justified urgent circumstances, and as permitted by law, delegated bodies or individuals may adopt resolutions related to the matters referred to in the preceding paragraphs of this article. Such resolutions must be ratified by the next Board of Directors meeting.</u></p>	
	<p><b><u>TITLE II COMPOSITION OF THE BOARD OF DIRECTORS</u></b></p>	
<p><b>Article 5. Structure and Composition of the Board of Directors</b></p>	<p><b><u>Article 7. Number of Directors</u></b></p>	
<p>The Board of Directors shall comprise a minimum of nine members and a maximum of fifteen. The General</p>	<p>The Board of Directors shall comprise a minimum of nine members and a maximum of fifteen.</p>	

Shareholders' Meeting shall be responsible for the appointment and removal of Board Members. The position of Director may be renounced, revoked and reappointed.		
	<a href="#"><u>Article 8. Types of Directors</u></a>	
Directors shall be classified as:	Directors shall be classified as:	
A) Executive Directors: Those directors that perform senior management duties or who are employees of the company or of its group shall be considered executive directors.	<a href="#"><u>A) Executive Directors: Those Directors that perform management duties in the Company or its group, regardless of the Director's legal relationship with the Company, shall be considered executive Directors.</u></a>	The primary change to this Title is to refine the definition of the different categories of directors –the Regulations adopted the definitions provided in the previous Unified Corporate Governance Code– in order to bring the Regulations in line with Article 38 of the Corporate Bylaws and Article 529 duodecies of the Capital Corporations Law.
B) External Shareholder-Appointed Directors: Those directors who own a shareholding greater than or equal to that legally considered to be significant or who have been appointed due to their shareholder status, even if their shareholding does not reach said amount, as well as those who represent said shareholders, shall be considered shareholder-appointed directors.	<a href="#"><u>B) External Shareholder-Appointed Directors: Those Directors who own a shareholding greater than or equal to that legally considered to be significant or who have been appointed due to their shareholder status, even if their shareholding does not reach said amount, as well as those who represent the aforesaid shareholders shall be considered external shareholder-appointed directors.</u></a>	
C) External Independent Directors: Those directors who, having been appointed based on their personal and professional qualities, are able to perform their duties regardless of their relations with the company, its significant shareholders or its executives shall be considered independent directors.	<a href="#"><u>C) External Independent Directors: Those directors who, having been appointed based on their personal and professional qualities, are able to perform their duties regardless of their relations with the Company or its group, shall be considered independent directors.</u></a>	
d) Other External Directors: Those Directors who are not considered shareholder-appointed or independent directors shall be considered other external Directors.	<a href="#"><u>D) Other External Directors: Those Directors who are not executive directors and who do not meet the requirements to be considered a shareholder-appointed or independent director shall be considered other external Directors.</u></a>	
<b>Article 9. Principles governing conduct</b>	<b>Article 9. Principles governing conduct</b>	
9.1 The Board shall particularly safeguard the interests of all the shareholders, at all times in conformity with whatever is required in the corporate interest.	<del>9.1 The Board shall particularly safeguard the interests of all the shareholders, at all times in conformity with whatever is required in the corporate interest.</del>	
9.2 The Board shall also establish as many mechanisms as necessary in order to audit any decisions that may be	<del>9.2 The Board shall also establish as many mechanisms as necessary in order to audit any decisions that may be</del>	

adopted by any of its members or corporate bodies while performing delegated duties.	<del>adopted by any of its members or corporate bodies while performing delegated duties.</del>	
	<b><u>TITLE III APPOINTMENT AND REMOVAL OF DIRECTORS</u></b>	
	<b><u>Article 9. Selection, Appointment, Ratification and Reappointment of Directors</u></b>	
	<u>9.1 [The Board of Directors, at the proposal of the Appointments and Compensation Committee, shall approve a specific and attestable policy for selecting candidates for the office of director, ensuring that the proposed appointments of directors are based on a previous analysis of the needs of the Board, and which favors a diversity of knowledge, experiences and gender.]<sup>10</sup></u>	This article incorporates Recommendation 14, which requires the approval of a specific and attestable director selection policy that favors transparency throughout the entire director selection and appointment process.
Proposals for the appointment or reappointment of Directors made by the Board shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein.	<u>9.2</u> Proposals for the appointment, <u>ratification</u> or reappointment of Directors made by the Board shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein.	
<b>Article 21. Appointment of Directors</b>	<del><b>Article 21. Appointment of Directors</b></del>	
The General Shareholders' Meeting or, as the case may be, the Board shall be responsible for appointing Board members in accordance with the provisions set forth in the Spanish Capital Corporations Law ( <i>Ley de Sociedades de Capital</i> ) and the Corporate Bylaws	<u>9.3</u> The General Shareholders' Meeting or, as the case may be, the Board shall be responsible for appointing Board members in accordance with the provisions set forth in the Spanish Capital Corporations Law ( <i>Ley de Sociedades de Capital</i> ) and the Corporate Bylaws. The position of Director may be renounced, revoked and reappointed.	
The proposals for appointment or reappointment of Directors brought by the Board of Directors to the General Shareholders' Meeting shall be approved by the Board of	<u>9.4</u> <u>The proposals for appointment, ratification or reappointment of Directors brought by the Board of Directors to the General Shareholders' Meeting shall be</u>	

<sup>10</sup> [Recommendation 14](#)

<p>Directors at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors and, in the case of the remaining Directors, following a report by said Committee.</p>	<p><u>approved by the Board of Directors</u>. <del>The proposals for appointment or reappointment of Directors brought by the Board of Directors to the General Shareholders' Meeting shall be approved by the Board of Directors</del> at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors and, <u>in the case of directors belonging to other categories</u> <del>in the case of the remaining Directors</del>, following a report by said Committee.</p>	
<p><b>Article 22. Incompatibilities</b></p>	<p><b>Article 10. Incompatibilities</b></p>	
<p>Those persons subject to the prohibitions of Article 213 of the Spanish Capital Corporations Law (<i>Ley de Sociedades de Capital</i>) and other legal provisions may not be appointed as Directors.</p>	<p>Those persons subject to the prohibitions <u>provided in of Article 213 of</u> the Spanish Capital Corporations Law (<i>Ley de Sociedades de Capital</i>) and other legal provisions may not be appointed as directors.</p>	<p>This article limits the maximum number of board of directors of companies outside the group that directors may be part of, thereby adopting the provisions of Recommendation 25 of the Corporate Governance Code and Principle 13 "Directors' Dedication," establishing, <i>inter alia</i>, that Directors shall dedicate the time required for the efficient performance of their duties.</p>
	<p><u>[Furthermore, any individual sitting on more than four boards of directors of listed companies, or eight organizations in total (including listed and unlisted companies), may not be appointed as a director of the Company. Membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the director sits shall not count when said board is that of a company that may submit abridged balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.]<sup>1</sup></u></p>	<p>In particular, the proposal provides that the Directors of Endesa may not belong to more than four boards of directors of listed companies, or eight organizations in total (including listed and unlisted companies). Membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the director sits shall not count when said board is that of a company that may submit abridged balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.</p>
<p><b>Article 23. Term of office</b></p>	<p><b>Article <del>23</del> 11. Term of office</b></p>	
<p>The Directors shall serve in their positions for a term of four years and may be reappointed for periods of the</p>	<p>The Directors shall serve in their positions for a term of four years and may be reappointed for periods of the</p>	

<sup>1</sup> [Recommendation 25](#)

same duration.	same duration.	
<b>Article 25. Removal and Resignation of Directors</b>	<b>Article <del>25</del>12. Removal and Resignation of Directors</b>	
25.1 Directors shall cease to hold office upon expiration of the term of office for which they were appointed, as well as in all other applicable circumstances in accordance with the law, the Corporate Bylaws and these Regulations.	<u>12.1</u> Directors shall cease to hold office upon expiration of the term of office for which they were appointed, as well as in all other applicable circumstances in accordance with the law, the Corporate Bylaws and these Regulations.	<p>This article incorporates Recommendation 22 of the Corporate Governance Code, which establishes that Independent Directors shall tender their resignation to the Board when there is just cause, as determined by the Board of Directors following a report from the Appointments and Compensation Committee and, in the case of shareholder-appointed directors, if the shareholder represented thereby fully transfers or decreases his/her shareholding, in which case the number of shareholder-appointed directors shall be reduced accordingly.</p> <p>In accordance with the aforesaid Recommendation 22, an obligation is established requiring directors to report, through the Secretary, all criminal proceedings or cases in which they are defendants, as well as all developments in said proceedings or cases.</p>
25.2 Directors must tender their resignations to the Board and formalize the relevant resignation when:	<u>12.2</u> Directors must tender their resignations to the Board and formalize the relevant resignation, <u>following the proposal or report of the Appointments and Compensation Committee, based on whether the officer is an Independent Director or a Director belonging to another category, respectively</u> , when:	
A) their continued membership on the Board of Directors could harm the value or reputation of the company, or	<u>A)</u> their continued membership on the Board of Directors could harm the value or reputation of the <u>Company</u> ;	
B) they are involved in any circumstances of incompatibility or prohibition provided by law and when the Board, following a report by the Appointments and Compensation Committee, resolves that the Director has seriously violated his/her obligations.	<u>B)</u> they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations; <del>and when the Board, following a report by the Appointments and Compensation Committee, resolves that the Director has seriously violated his/her obligations.;</del>	
	<u>C)</u> <u>in the case of independent directors, there is just cause as determined by the Board of Directors following a report from the Appointments and Compensation Committee; or if any shareholder represented by the director fully transfers or decreases his/her shareholding. In this last case, the number of shareholder-appointed directors shall be reduced accordingly.</u>	
25.3 When a Director is removed, for any reason, the Director may not provide services to another competing entity for a period of two years, unless the Board exempts such Director from this obligation or shortens the duration of the aforesaid ban.	<del>25.3 When a Director is removed, for any reason, the Director may not provide services to another competing entity for a period of two years, unless the Board exempts such Director from this obligation or shortens the duration of the aforesaid ban.</del>	

	<a href="#">12.3</a> Directors shall notify the Company, via the Secretary, of all criminal cases and proceedings in which they are defendants, as well as of all developments in said cases and proceedings.	
25.4 In the event that a Director ceases in his/her position, whether due to resignation or otherwise, he/she shall explain the reasons in a letter, which shall be sent to all Board members prior to the end of his/her mandate. Without prejudice to said removal being reported as a material fact, the reasons for such removal shall be provided in the Annual Corporate Governance Report.	<a href="#">12.4</a> In the event that a Director ceases in his/her position, whether due to resignation or otherwise, he/she shall explain the reasons in a letter, which shall be sent to all Board members prior to the end of his/her mandate. Without prejudice to said removal being reported as a material fact, the reasons for such removal shall be provided in the Annual Corporate Governance Report.	
	<b><a href="#">TITLE IV OFFICES OF THE BOARD</a></b>	
<b>Article 34. Chairman of the Board of Directors</b>	<b><a href="#">Article 13. Chairman and Vice-Chairmen</a> of the Board of Directors</b>	
34.1 The Board shall choose a Chairman from among its members and, in addition to the duties assigned by the Law and the Bylaws, the Chairman shall also be responsible for promoting the governance of the Company and its investees as a whole, directing the functioning of the Board, ensuring that the members of the Board have adequate information, and representing the Company, in particular, in dealings with the various public authorities, securities market institutions, public agencies, companies and associations in the electricity industry.	<a href="#">13.1</a> The Board shall choose a Chairman from among its members, <u>following a report from the Appointments and Compensation Committee, in addition to the duties assigned by the Law and the Bylaws, the Chairman shall also be responsible for promoting the governance of the Company and its investees as a whole, directing the functioning of the Board, ensuring that the members of the Board have adequate information, and representing the Company, in particular, in dealings with the various public authorities, securities market institutions, public agencies, companies and associations in the electricity industry, who shall, in addition to representing the Company, perform senior executive duties, ensure the coordination of the Endesa group, lead the Company's governance actions,</u> paying particular attention to the corporate strategy, <u>and shall be responsible for the management of the Board.</u>	The Memorandum of Law 31/2014, amending the Capital Corporations Law for the improvement of corporate governance states that <i>the composition of the board of directors of listed companies is one of the most commonly discussed issues by corporate governance experts. In this regard, two new updates related to the chairman are established: the duties of the office are expressly stated (and which may be expanded by the bylaws and board regulations) and it is established that, when the chairman is an executive director, the board of directors shall necessarily appoint a coordinating director from among the independent directors, who shall act as a counterweight.</i>
	<a href="#">13.2</a> <u>The appointment of the Chairman, taking into account his/her status as an Executive Director, shall require the favorable vote of at least two thirds of the members of the Board.</u>	In this regard, Article 13 expressly acknowledges that the Chairman is considered an executive director, taking into account the performance thereby of senior executive duties, and in accordance with the Law and the Code, the Regulations establish that <i>the Chairman, in addition to the institutional representation of the Company, shall perform the duties of a senior executive, ensure the coordination</i>
34.2 The Chairman shall chair the Executive Committee,	<a href="#">13.3</a> The Chairman shall, <u>as the case may be,</u> chair	

<p>have permanent authority to represent the Committee in accordance with the Corporate Bylaws, and, in any voting, shall have the casting vote.</p>	<p>the Executive Committee, have permanent authority to represent the Committee in accordance with the Corporate Bylaws, and, in any voting, shall have the casting vote.</p>	<p><i>of the Endesa group, lead the Company's corporate governance actions, paying particular attention to the corporate strategy, and shall be responsible for managing the Board, with the Chief Executive Officer acting as the highest responsible person for the management of the company." In addition, the Chairman shall ensure that he/she spends enough time debating strategic questions and shall resolve on and revise director knowledge update programs, as the circumstances so require."</i></p>
<p>34.3 The Chairman shall be responsible for the effective operation of the Board and, thus, shall: ensure that the directors receive sufficient information duly in advance; promote the debate and active participation of the directors during the Board meetings, protecting their freedom to adopt positions and express their opinions; organize and coordinate with the chairmen of the relevant Committees; regularly assess the Board.</p>	<p><u>13.4</u> The Chairman shall be responsible for the effective operation of the Board and, thus, shall: ensure that the directors receive sufficient information duly in advance; <del>promote the debate and</del> <u>organize the debate and promote</u> the active participation of the directors during the Board meetings, protecting their freedom to adopt positions and express their opinions; <u>ensure that enough time is spent discussing strategic matters;</u> organize and coordinate with the chairmen of <del>the relevant Committees; regularly assess the Board</del> <u>the Committees; assess the Board, its Commissions and Committees and the Chief Executive Officer on an annual basis; and resolve upon and review programs aimed at providing each director with up-to-date information, as required by the circumstances.</u></p>	<p>As a result of the above, it is clarified that –in accordance with the provisions of Article 529 septies– his/her appointment shall require the favorable vote of two thirds of the members of the Board of Directors.</p>
<p>34.4 The Chairman of the Board may delegate all or some of his/her powers to other members of the Board of the company unless said delegation is expressly prohibited by law.</p>	<p><u>13.5</u> The Chairman of the Board may delegate all or some of his/her powers to other members of the Board of the <u>Company</u>, unless said delegation is expressly prohibited by law.</p>	
<p>34.5 In the event of vacancy, absence or illness, the Chairman may be substituted by the Vice-Chairman, if any, or, otherwise by the oldest Director.</p>	<p><del>34.5 In the event of vacancy, absence or illness, the Chairman may be substituted by the Vice-Chairman, if any, or, otherwise by the oldest Director.</del></p>	
<p><b>Article 35. Vice-Chairmen of the Board of Directors</b></p>	<p><del><b>Article 35. Vice-Chairmen of the Board of Directors</b></del></p>	
<p>The Board may select one or more Vice-Chairmen, following a report from the Appointments and Compensation Committee. If there are several Vice-Chairmen, the oldest shall substitute the Chairman in the event of a vacancy, absence or illness, and shall act as Chairman of the Board.</p>	<p>The Board may select one or more Vice-Chairmen, following a report from the Appointments and Compensation Committee. If there are several Vice-Chairmen, the oldest shall substitute the Chairman in the event of a vacancy, absence <del>and illness, and shall act as</del> <u>Chairman of the Board</u> <del>or illness.</del></p>	
	<p><u>13.6</u> <u>If there are no Vice-Chairmen, the Coordinating Director shall perform the Chairman's duties to preside over the Board and the oldest Director shall exercise all</u></p>	

	<a href="#">other powers of the Chairman.</a>	
	<b><a href="#">Article 14. Coordinating Director</a></b>	
	<a href="#">In view of the Chairman's status as an Executive Director, the Board of Directors shall, with all executive directors abstaining and following a report from the Appointments and Compensation Committee, appoint a Coordinating Director from among the independent directors, who shall be specifically empowered to:</a>	This article regulates the position of Coordinating Director in accordance with the provisions of the new Article 529 septies of the Capital Corporations Law. The Company is required to have this position by virtue of the Board Chairman's status as an executive director.
	<a href="#">A) Call a meeting of the Board of Directors or include new items on the agenda for any Board meeting which has already been called;</a>	In this regard, the Board of Directors proposes, as yet another sign of the company's commitment to transparency and to following best corporate governance practices, to strengthen the Coordinating Director's powers beyond those strictly required by the Law.
	<a href="#">B) Coordinate and call meetings of non-executive directors;</a>	
	<a href="#">C) Lead the regular assessment of the Chairman of the Board of Directors;</a>	In particular, the proposal grants the Coordinating Director the powers to preside over the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any (although not necessarily assuming their other duties, although this could be the case, in accordance with the provisions of Article 13.7); voice the concerns of the non-executive directors; maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the Company's corporate governance; and coordinate the succession plan for the Chairman.
	<a href="#">D) Preside over the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any, under the terms of the preceding article;</a>	
	<a href="#">E) Voice the concerns of the non-executive Directors;</a>	
	<a href="#">F) Maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the Company's corporate governance; and</a>	
	<a href="#">G) Coordinate the succession plan for the Chairman of the Board of Directors.</a>	These provisions also bring the Company into compliance with Recommendation 34 of the Corporate Governance Code.
<b>Article 36. Chief Executive Officer</b>	<b><a href="#">Article 15. Chief Executive Officer</a></b>	
36.1 The Board shall appoint a Chief Executive Officer, who shall be responsible for managing the company in accordance with the powers delegated by the Board of Directors.	<a href="#">15.1</a> The Board shall appoint a Chief Executive Officer, who shall be responsible for managing the <a href="#">Company</a> in accordance with the powers delegated by the Board of Directors.	

<p>36.2 The CEO shall be in charge of all the services of the Company and shall act as the head of Senior Management of the Company.</p>	<p><del>36.2 The CEO shall be in charge of all the services of the Company and shall act as the head of Senior Management of the Company.</del></p> <p><u>15.2 The Chief Executive Officer shall, as the highest responsible person for the management of the company, be in charge of managing all of the Company's services and shall lead Senior Management.</u></p>	
<p>36.3 The Chief Executive Officer shall also be responsible for implementing the general strategy of the company and its lines of business, as well as for overseeing and monitoring relations between the Company and its investees in conformity with the provisions of Article 6 of these Regulations.</p>	<p><u>15.3 The Chief Executive Officer shall also be responsible for implementing the general strategy of the Company</u> and its lines of business, as well as for overseeing and monitoring relations between the Company and its investees.</p>	
<p>36.4 In the event of a vacancy, or absence or illness, of the Chief Executive Officer, the duties and responsibilities thereof shall be temporarily assumed by the Chairman, who shall urgently resolve upon, together with the necessary corporate bodies, the delegation of duties and responsibilities to any Director or members of Senior Management as he/she deems appropriate.</p>	<p><u>15.4</u> In the event of a vacancy, or absence or illness, of the Chief Executive Officer, the duties and responsibilities thereof shall be temporarily assumed by the Chairman, who shall urgently resolve upon, together with the necessary corporate bodies, the delegation of duties and responsibilities to any Director or members of Senior Management as he/she deems appropriate.</p>	
	<p><u>Article 16. Secretary and Vice Secretary of the Board of Directors</u></p>	
<p>37.1 The Board shall, acting in a plenary session, at the Chairman's proposal and following a report by the Appointments and Compensation Committee, appoint a Secretary who shall have a law degree and who shall also have the following duties, in addition to those granted by law and the Bylaws:</p>	<p><u>16.1</u> The Board shall, acting in a plenary session, at the Chairman's proposal and following a report by the Appointments and Compensation Committee, appoint a Secretary <del>who shall have a law degree and who shall also have</del> <u>and, as the case may be, a Vice-Secretary, both of whom shall have a law degree.</u></p>	<p>The changes related to the regime applicable to the Board Secretary include:</p> <ul style="list-style-type: none"> <li>- Incorporating, among other duties, the duty to ensure that the actions and decisions of the Board of Directors take into account the recommendations on good governance contained in the Corporate Governance Code, in accordance with Recommendation 35 thereof,</li> </ul>
	<p><u>16.2 The Vice Secretary shall substitute the Secretary in the event of a vacancy or absence. If neither the Secretary nor the Vice Secretary is in attendance, the youngest Director attending the meeting shall substitute them.</u></p>	<ul style="list-style-type: none"> <li>- Adding an express reference to the duty to assist the Chairman to ensure that the</li> </ul>
	<p><u>16.3 In addition</u> to those duties designated by law and the Corporate Bylaws, the <u>Board Secretary</u> shall also</p>	

	have the following duties:	
A) To keep custody of the corporate documents, duly record the proceedings of meetings in the minutes and certify the resolutions passed by the corporate bodies.	A) To keep custody of the corporate documents, duly record the proceedings of meetings in the minutes and certify the resolutions passed by the corporate bodies.	<p>Directors receive, sufficiently in advance and in the proper format, all information required to exercise their duties, in line with the provisions of Article 529 octies of the Capital Corporations Law, introduced by Law 31/2014.</p> <p>- Regulating the position of vice-secretary of the Board of Directors</p>
B) To ensure that the Board's conduct is lawful from both a procedural and substantive perspective, and to ensure that its procedures and rules of governance are followed.	<del>B) To ensure that the Board's conduct is lawful from both a procedural and substantive perspective, and to ensure that its procedures and rules of governance are followed.</del>	
C) To generally act as a channel between the company and the Directors in all matters relating to the operation of the Board, in accordance with the Chairman's instructions.	B) To generally act as a channel between the <u>Company</u> and the Directors in all matters relating to the operation of the Board, in accordance with the Chairman's instructions.	
D) To deal with all requests from the Directors regarding information on and documentation of matters that fall under the competence of the Board.	C) To deal with all requests from the Directors regarding information on and documentation of matters that fall under the competence of the Board.	
	<u>D) To assist the Chairman to ensure that Directors receive the relevant information for the performance of their duties, with sufficient notice and in the proper format.</u>	
E) To ensure compliance with corporate governance principles and rules and with the provisions of the company's Bylaws and Regulations and in particular to ensure that the Board's actions:	E) To ensure compliance with corporate governance principles and rules and with the provisions of the <del>company's</del> <u>Company's</u> Bylaws and Regulations and <del>in particular, in particular,</del> to ensure that the Board's actions:	
1. Formally and materially adhere to the law;	1. Formally and materially adhere to the law;	
2. Adhere to the Corporate Bylaws, Regulations and other internal regulations.	2. <u>Adhere to the Corporate Bylaws, Regulations and other internal regulations;</u>	
3. Take into account good governance recommendations.	3. <u>Take into account good governance recommendations set forth in the Corporate Governance Code for listed companies issued by the CNMV and which are applicable to the Company.</u>	
37.2 Notwithstanding the requirement to report to the Board Chairman, the Secretary has the right to act	Notwithstanding the requirement to report to the Board Chairman, the Secretary has the right to act	

independently to professionally perform the duties set forth in the preceding paragraphs.	independently to professionally perform the duties set forth in the preceding paragraphs.	
37.3 The Secretary, who shall serve as such for the various corporate bodies, may also hold office as legal counsel to the corporate bodies and as General Secretary, for which office the Secretary shall report to the Chief Executive Officer, assisting with the integration, coordination and consolidation of the company and its lines of business.	<u>16.4</u> The Secretary, who shall serve as such for the various corporate bodies, may also hold office as legal counsel to the corporate bodies and as General Secretary, for which office the Secretary shall report to the Chief Executive Officer, assisting with the integration, coordination and consolidation of the <u>Company</u> and its lines of business.	
	<u><b>TITLE V OPERATION OF THE BOARD OF DIRECTORS</b></u>	
<b>Article 10. Meeting Notices and Venue for Board Meetings</b>	<b>Article <del>10</del><u>17</u>. <del>Meeting Notices and Venue for Board Meetings</del></b>	
10.1 The Board shall meet at least once every two months. Annual Board Meetings shall deal with general matters relating to the conduct of the company's business and the items on the agenda. At these regular meetings, the Board shall receive information on, with a view to addressing such issues, the most significant business management matters, as well as on any situations foreseeably critical to the company and on any actions proposed by Senior Management.	<p><u>17.1</u> <del>10.1</del>The Board shall meet at least <del>once every two months</del> <u>ten times per year, with at least one session during each calendar quarter, [following a meeting schedule as established at the beginning of each fiscal year]</u><del>2. The schedule may be amended by resolution of the Board or by decision of the Chairman, who shall provide the other directors with notice of said amendment duly in advance.</del></p> <p><u>17.2</u> Annual Board Meetings shall deal with general matters relating to the conduct of the <del>company's</del><u>Company's</u> business and the items on the agenda. At these regular meetings, the Board shall receive information on, with a view to addressing such issues, the most significant business management matters, as well as on any situations foreseeably critical to the <del>company</del><u>Company</u> and on any actions proposed by Senior Management.</p>	<p>The purpose of Article 17 is to substantially incorporate Recommendation 26 of the Corporate Governance Code.</p> <p>In this regard, the updates establish a program requiring that the Board meet at the beginning of each fiscal year – something that Endesa's Board of Directors started doing a few years ago–.</p> <p>Furthermore, with a view to ensuring its ongoing involvement in the day-to-day life of the Company, the Regulations establish that the Board shall meet at least ten times per year (the Corporate Governance Code recommends at least eight), holding at least one meeting per calendar quarter, as indicated in Article 245 of the Law.</p>
10.4 Board Meetings shall normally be held at the registered offices of the Company, but may be held at such other place as directed by the Chairman and stated in the meeting notice, in accordance with the provisions of	<u>17.3</u> <del>10.4</del> Board Meetings shall normally be held at the registered offices of the Company, but may be held at such other place as directed by the Chairman and stated in the meeting notice, in accordance with the provisions of	

<sup>2</sup> [Recommendation 26](#)

the Company's Bylaws.	the Company's Bylaws.	
10.5 Board meetings may be held in one or more locations simultaneously provided there is interactivity and intercommunication, in real time, by means of audiovisual or telephone systems, thereby guaranteeing simultaneity of developments. In such case, the meeting notice shall indicate the connection system and, as the case may be, the locations where the technical means necessary to attend and participate at the Meeting are available. Resolutions shall be deemed to have been adopted in the place where the Chairman is located.	<del>17.4</del> <del>40.5</del> Board meetings may be held in one or more locations simultaneously provided there is interactivity and intercommunication, in real time, by means of audiovisual or telephone systems, thereby guaranteeing simultaneity of developments. In such case, the meeting notice shall indicate the connection system and, as the case may be, the locations where the technical means necessary to attend and participate at the Meeting are available. Resolutions shall be deemed to have been adopted in the place where the Chairman is located.	
Notwithstanding the above, and unless precluded by law, resolutions may be adopted in writing in lieu of a meeting, subject to the requisites and formalities established by the Mercantile Registry Regulations.	<del>Notwithstanding the above, and unless precluded by law, resolutions may be adopted in writing in lieu of a meeting, subject to the requisites and formalities established by the Mercantile Registry Regulations.</del>	
	<u>Article 18. Meeting Notices</u>	
10.2 The Chairman may call a Board Meeting as often as deemed appropriate. Calling a meeting shall be compulsory when requested by at least two directors.	<del>18.1</del> The Chairman <u>shall call Board Meetings in accordance with the meeting schedule and, in any case,</u> may call a Board Meeting as often as deemed appropriate <del>or, Calling a meeting shall be compulsory</del> when requested by at least two directors <u>or by the Coordinating Director, if any.</u>	The primary and most noteworthy updates are those aimed at incorporating the content of Recommendations 26 and 31 of the Corporate Governance Code.
10.3 Meeting notices for the Board shall be sent by mail, e-mail or any other means of distance communication to each of the Directors at least forty-eight hours before the date set for the meeting in question and shall include the agenda.	<del>18.2</del> Meeting notices for the Board shall be sent by mail, e-mail or any other means of distance communication to each of the Directors at least forty-eight hours before the date set for the meeting in question and shall include the agenda <u>[, clearly identifying the items on which the Board of Directors shall make a decision or adopt a resolution so that the directors may study or gather, in advance, the information required to make such decisions]</u> <sup>4</sup> .	In this regard, and in accordance with the Code, the Regulations are amended to enable Directors to submit additional agenda items not initially proposed, thereby strengthening their rights beyond that required by Spanish law, which, in this regard, only applies to the coordinating director.
The Chairman may, in urgent circumstances, call a Board Meeting by any of these means, as well as by telephone,	<del>18.3</del> The Chairman may, in urgent circumstances, call a Board Meeting by any of these means, as well as by	Furthermore, the Regulations indicate that each director may individually propose other agenda items not initially included, provided the request is made at least two days

<sup>4</sup> [Recommendation 31](#)

<p>without giving the stipulated minimum prior notice. A majority of those in attendance shall verify the urgent circumstances before the Meeting begins.</p>	<p>telephone, without giving the stipulated minimum prior notice. A majority of those in attendance shall verify the urgent circumstances before the Meeting begins.</p>	<p>before the relevant Board meeting is held. In any case, and in accordance with Article 529 septies of the Law, all agenda items proposed by the coordinating director shall be included.</p> <p>Furthermore, the Regulations require the prior and express consent of a majority of the Directors in attendance, duly recorded in the minutes, if, once the meeting is already in session, the Chairman wishes, on an exceptional and emergency basis, to propose decisions or resolutions that were not listed on the agenda to the Board of Directors.</p> <p>This is intended to foster the efficient and transparent operation of the Company's main governing body, thus incorporating the most demanding good governance practices in this area.</p>
	<p><a href="#">Article 19. Agenda</a></p>	
<p>The Chairman shall set the agenda for all Board Meetings. One third of the members of the Board may, before the Meeting is held, request the addition of new agenda items which they consider appropriate to debate.</p> <p>Once the meeting has been called to order, each director may propose other agenda items not initially included on the agenda.</p>	<p>The Chairman shall set the agenda for all Board Meetings <del>One third of the members of the Board may, before the Meeting is held, request the addition of new agenda items which they consider appropriate to debate,</del> <u>which shall in all cases include the items requested by the Coordinating Director. Furthermore, each director may individually propose additional agenda items. Once the meeting has been called to order, each director may propose other agenda items</u>—not initially included on the agenda, <u>provided the request is made at least two days before the relevant Board meeting is held.</u></p>	
	<p><u>[The prior and express consent of a majority of the Directors in attendance shall be required, and duly recorded in the minutes, if once the meeting is already in session, the Chairman wishes, on an exceptional and</u></p>	

	<a href="#">emergency basis, to propose decisions or resolutions that were not listed on the agenda to the Board of Directors.]<sup>3</sup></a>	
<b>Article 11. Convening of, and representation and adoption of resolutions at Board Meetings</b>	<b>Article <del>44</del>20. Convening of, and representation and adoption of resolutions at Board Meetings</b>	
11.1 The Board of Directors shall be validly assembled when a majority of the Members are in attendance at the meeting, in person or by proxy.	<del>20.1</del> <del>44.1</del> —The Board of Directors shall be validly assembled when a majority of the Members are in attendance at the meeting, in person or by proxy.	This article introduces the content of the provisions of Article 529 quáter of the Capital Corporations Law, following the reform implemented by Law 31/2014, which establishes that non-executive directors may only grant proxies for Board Meetings to other non-executive directors.
11.2 Each Director may be represented by another member of the Board in accordance with the provisions of the Company's Bylaws.	<del>20.2</del> <del>44.2</del> —Each Director may be represented by another member of the Board <del>of Directors in accordance with the provisions of the Company's Bylaws.</del> <a href="#">Proxies shall be granted in writing and specifically for each Board Meeting. No director may hold more than three proxies, with the exception of the Chairman, to whom this limit shall not apply, although he/she may not represent the majority of the Board of Directors. Non-Executive Directors may only delegate their proxy to another non-executive directors.</a>	
11.3 Resolutions shall be adopted with the favorable vote of the absolute majority of the Directors attending the meeting, in person or by proxy. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.	<del>20.3</del> <del>44.3</del> —Resolutions shall be adopted with the favorable vote of the absolute majority of the Directors attending the meeting, in person or by proxy. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.	
Voting in writing in lieu of a meeting shall only be permitted if no Director objects to this procedure and subject to compliance with the requirements set forth in commercial legislation.	<del>20.4</del> <del>Voting in writing in lieu of a meeting shall only be permitted</del> <a href="#">Resolutions may be adopted in writing in lieu of a meeting,</a> subject to compliance with the requirements set forth in commercial legislation.	
	<b><a href="#">TITLE VI COMMITTEES OF THE BOARD OF DIRECTORS</a></b>	
<b>Article 12. Executive Committee and Committees of the Board of Directors</b>	<b>Article <del>42</del>21. Executive Committee and Committees of the Board of Directors</b>	
12.1 In accordance with the Bylaws, the Executive	<del>21.1</del> <del>42.1</del> —In accordance with the Bylaws, <del>the</del>	In accordance with the provisions of Article 48 of the

<sup>3</sup> [Recommendation 31](#)

<p>Committee, the Audit and Compliance Committee and the Appointments and Compensation Committee are established.</p>	<p><del>Executive Committee</del> <u>the Board of Directors shall establish</u> the Audit and Compliance Committee and the Appointments and Compensation <u>Committee and may, in addition, establish an Executive Committee.</u></p>	<p>Bylaws, <b>Article 21</b> clarifies that establishment of the Executive Committee is optional, based on the decision of the Board of Directors from time to time, whereas, in accordance with law, establishment of the two Board Committees –the Audit and Compliance Committee and the Appointments and Compensation Committee– is mandatory.</p>
<p>These two Committees shall have the duty to analyze and make proposals and, as the case may be, decisions regarding such matters as determined by these Regulations or as otherwise entrusted thereto by the Board.</p>	<p><del>These two</del> <u>Both of these</u> Committees <u>of the Board of Directors</u> shall have the duty to analyze and make proposals and, as the case may be, decisions regarding such matters as determined by these Regulations or as otherwise entrusted thereto by the Board.</p>	
<p>The composition of the aforementioned bodies shall reasonably reflect the structure of the Board.</p>	<p><del>The composition of the aforementioned bodies shall reasonably reflect the structure of the Board.</del></p>	
<p>12.2 As part of its organizational powers and in order to best perform its duties, the Board of Directors may create other Committees and decide on their powers and composition.</p>	<p><u>21.2</u> <del>12.2</del>—As part of its organizational powers and in order to best perform its duties, the Board of Directors may create other Committees and decide on their powers and composition.</p>	
<p><b>Article 13. Executive Committee</b></p>	<p><b>Article <del>13</del><u>22</u>. Executive Committee</b></p>	<p>The article first declares that establishment thereof is optional and also incorporates Recommendation 37 of the Corporate Governance Code, introducing improvements consistent with the provisions of Article 6.10, which reproduces the provisions of Article 529 ter, section 2, of the Capital Corporations Law, introduced by Law 31/2014. This article allows for the adoption by the Executive Committee, in urgent circumstances, of decisions usually reserved to the Board of Directors, notwithstanding the fact that such decisions must be ratified by the next Board of Directors meeting held following the adoption of such decision.</p> <p>The article further clarifies, in accordance with the provisions of the new Article 15 of the Regulations, regulating the duties of the Appointments and Compensation Committee, that members of the Executive Committee will be appointed at the proposal of said Appointments and Compensation Committee.</p>
<p>13.1 The Executive Committee shall consist of a minimum of five and a maximum of seven Directors, including the Chairman and the Chief Executive Officer.</p>	<p><u>22.1</u> <del>13.1</del>—The Executive Committee, <u>if any</u>, shall consist of a minimum of five and a maximum of seven Directors, including the Chairman and the Chief Executive Officer.</p>	
<p>The Chairman of the Board of Directors shall chair the Executive Committee and the Secretary of the Board shall also act as Secretary for the Executive Committee. Substitution of these positions shall be made in accordance with the system set forth for the Board of Directors</p>	<p><u>22.2</u> The Chairman of the Board of Directors shall chair the Executive Committee and the Secretary of the Board shall also act as Secretary for the Executive Committee. Substitution of these positions shall be made in accordance with the system set forth for the Board of Directors</p>	
	<p><u>22.3</u> <u>The composition of the Executive Committee shall reasonably reflect the structure of the Board.</u></p>	
<p>13.2 The Executive Committee has the power to adopt resolutions related to the powers delegated thereto by the Board.</p>	<p><u>22.4</u> <del>13.2</del>—The Executive Committee <del>has</del><u>shall have</u> the power to adopt resolutions related to the powers delegated thereto by the Board <u>as well as any other resolutions which, in urgent circumstances, may need to be adopted.</u></p>	
<p>13.3 Members of the Executive Committee shall be</p>	<p><u>22.5</u> <del>13.3</del>—Members of the Executive Committee shall</p>	

<p>appointed by the favorable vote of at least two thirds of the members of the Board.</p>	<p>be appointed <u>by proposal of the Appointments and Compensation Committee</u> and shall require the favorable vote of at least two thirds of the Board members.</p>	
<p>13.4 Executive Committee resolutions related to matters for which the Board has delegated powers thereto are binding as of the date they are adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions of the Executive Committee shall be submitted to the Board for subsequent ratification.</p>	<p><u>22.6</u> <del>13.4</del> Executive Committee resolutions related to matters for which the Board has delegated powers thereto <del>are</del> <u>shall be</u> binding as of the date they are adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions of the Executive Committee shall be submitted to the Board for subsequent ratification.</p>	
<p>13.5 The Board Secretary shall serve as the Secretary of the Executive Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board at its next meeting.</p>	<p><u>22.7</u> <del>13.5</del> The Board Secretary shall serve as the Secretary of the Executive Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board <del>at its next meeting</del>. <u>The minutes shall be made available to all members of the Board of Directors.</u></p>	
<p><b>Article 14. Audit and Compliance Committee</b></p>	<p><b>Article <del>14</del><u>23</u>. Audit and Compliance Committee</b></p>	
<p>14.1 The Audit and Compliance Committee shall comprise a minimum of four and a maximum of six Board members, appointed by the favorable vote of the majority of the Board itself. Non-executive directors shall account for a majority of its members. At least one of the members of the Audit and Compliance Committee shall be independent and shall be appointed in consideration of his/her knowledge and experience in the area of accounting, auditing or both.</p>	<p><u>23.1</u> <del>14.1</del> The Audit and Compliance Committee shall be comprised of a minimum of <del>four</del><u>three</u> and a maximum of six Board members, appointed by <u>proposal of the Appointments and Compensation Committee with</u> the favorable vote of the majority of the Board itself. <u>The Committee shall be exclusively comprised of</u> non-executive directors <del>shall account for a majority of its members. At least one of the members of the Audit and Compliance Committee shall be independent and shall be appointed in consideration of his/her knowledge and experience in the area of accounting, auditing or both.</del> <u>, at least two of which shall be independent directors.</u></p> <p>14.2</p>	<p>This article incorporates the provisions of Article 529 quaterdecies of the Capital Corporations Law regarding the Committee's composition and duties.</p> <p>In this regard, it is worth noting that the duties thereof are expanded, incorporating Recommendations 40, 41, 42, 43 and 44 of the Corporate Governance Code, which, <i>inter alia</i>, require approval of the orientation and work plans for the internal audit by the Audit and Compliance Committee, ensuring that its activity is focused primarily on relevant risks for the Company, significantly expand its powers in relation to the external audit, and require that it remain apprised of any transactions that would implement structural changes.</p>
<p>14.3 The Board of Directors shall ensure that members of the Audit and Compliance Committee, and in particular its Chairman, are appointed taking into account their knowledge and experience in accounting, auditing or risk</p>	<p><del>The Board of Directors shall ensure that members of the Audit and Compliance Committee, and in particular its Chairman</del> The Board of Directors shall ensure that <u>all</u> members of the Audit and Compliance Committee, and in particular, <u>its</u> Chairman, are appointed taking into account</p>	<p>Furthermore, based on the Code and due to the</p>

<p>management.</p>	<p>their knowledge and experience in accounting, auditing or risk management.</p>	<p>relevance of corporate governance and corporate social responsibility, the Audit and Compliance Committee is granted the duties listed in Recommendation 53. In particular, this includes duties, inter alia, to monitor compliance with corporate governance rules, the ethics code and the corporate social responsibility policy; duties related to the strategy for communications and relations with shareholders and investors, including small and medium shareholders, as well as with interest groups; duties related to the assessment of all aspects related to non-financial risks; and coordination of the process for reporting non-financial and diversity information.</p>
<p>14.3 The Chairman of the Auditing and Compliance Committee shall be appointed by the Board of Directors, from among the non-executive directors or those members that do not have any management or executive duties within the company, nor maintain a contractual relationship other than that giving rise to their appointment, by favorable vote of the majority of the Board itself. The Chairman must be removed every four years but may be reappointed one year after removal has lapsed.</p>	<p><del>14.2</del>—The Chairman of the Auditing and Compliance Committee shall be appointed by the Board of Directors, from among the <u>independent directors on the Committee</u> <del>non-executive directors or those members that do not have any management or executive duties within the company, nor maintain a contractual relationship other than that giving rise to their appointment</del>, by favorable vote of the majority of the Board itself. The Chairman must be removed every four years but may be reappointed one year after removal has lapsed.</p>	
<p>In the Chairman's absence, the Committee member temporarily designated by the Board of Directors, if any, or, otherwise, the oldest Committee member, shall substitute the Chairman.</p>	<p><del>In the Chairman's absence, the Committee member temporarily designated by the Board of Directors, if any</del> <u>the independent director with the highest seniority on the Committee</u> or, otherwise, the oldest <u>independent director</u>, shall substitute the Chairman.</p>	
<p>14.4 The Audit and Compliance Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice.</p> <p>14.5 Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.</p>	<p><u>23.2</u> <del>14.4</del>The Audit and Compliance Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.</p>	
<p>14.5 Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.</p>	<p><u>23.3</u> <del>14.5</del>—Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.</p>	
<p>14.6 As deemed necessary for the performance of its duties, the Audit and Compliance Committee may seek external advice as well as call a meeting with any employee or executive of the company</p>	<p><u>23.4</u> <del>14.6</del>—As deemed necessary for the performance of its duties, the Audit and Compliance Committee may seek external advice <del>as well as call a meeting with any employee or executive of the company</del>.</p>	

<p>14.7 The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board.</p>	<p><del>23.5</del> <del>14.7</del> The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board. <u>The minutes shall be made available to all members of the Board of Directors.</u></p>	
<p>14.8 The Committee's primary duty is to ensure good corporate governance and transparency in all of the company's conduct as relates to both economic and financial areas, as well as in compliance actions and external and internal audits, and in any event, it shall be entrusted with the following duties:</p>	<p><del>23.6</del> <del>14.8</del> The Committee's primary duty is to ensure good corporate governance and transparency in all of the <del>company's</del> <u>Company's</u> conduct as relates to both economic and financial areas, as well as in compliance actions and external and internal audits, and in any event, it shall be entrusted with the following duties:</p>	
<p>A) To report at the General Shareholders' Meeting on the issues raised at the Meeting by shareholders in relation to matters over which it has competence.</p>	<p>A) To report <u>at to</u> the General Shareholders' Meeting on the issues <u>brought up</u> <del>raised at the Meeting by shareholders</del> in relation to <u>those</u> <del>matters over which it has competence</del> <u>over which the Committee has competence.</u></p>	
<p>B) To propose the appointment of statutory auditors or audit firms to the Board of Directors, who will refer the issue to the General Shareholders' Meeting, in accordance with Article 58 of the Corporate Bylaws.</p>	<p><del>B) To propose the appointment of statutory auditors or audit firms to the Board of Directors, who will refer the issue to the General Shareholders' Meeting, in accordance with Article 58 of the Corporate Bylaws.</del></p>	
<p>C) To supervise the efficiency of the company's Internal Control System and risk management systems, as well as to discuss with the statutory auditors or audit firms any significant weaknesses in the internal control system detected during the audit.</p>	<p><del>B) C) To supervise the efficiency of the <del>company's</del> <u>Company's</u> <del>Internal Control System</del> <u>internal control</u> and risk management systems, <u>including as regards tax risks</u>, as well as to discuss with the <del>statutory auditors or audit firms</del> <u>external auditor</u> any significant weaknesses in the internal control system detected during the audit.</del></p>	
<p>D) To monitor the preparation and presentation of all regulated financial reporting.</p>	<p><del>C) D) To monitor the preparation and presentation of all regulated</del> <u>required</u> financial reporting.</p>	
<p>E) To supervise internal audits, including, <i>inter alia</i>, the following duties:</p>	<p><del>D) E) To supervise internal audits, <u>which includes</u>, <i>inter alia</i>, the following duties:</del></p>	
<p>1. To ensure the independence and efficiency of internal auditing duties; propose the selection, appointment, reappointment and removal of the party responsible for the internal auditing services; propose the budget for such service; receive regular reports on its activities; and verify that senior management takes the conclusions and</p>	<p>1. To ensure the independence and efficiency of internal auditing duties; propose the selection, appointment, reappointment and removal of the party responsible for the internal auditing services; propose the budget for such service; <u>approve the focus and work plans for its services to ensure that the activity deals primarily with the relevant risks for the Company;</u> receive regular reports on its</p>	

<p>recommendations of such reports into account.</p>	<p>activities and, in any case, a final report for each fiscal year; and verify that <del>senior management</del> <u>Senior Management</u> takes the conclusions and recommendations of such reports into account.</p>	
<p>2. To establish and monitor a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously, any potential significant irregularities, in particular financial and accounting irregularities, observed from within the company.</p>	<p>2. To establish and monitor a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously, any potential significant irregularities, in particular financial and accounting irregularities, observed from within the <del>company</del> <u>Company</u>.</p>	
<p>F) To liaise with statutory auditors or audit firms and, in particular:</p>	<p><del>F) To liaise with statutory auditors or audit firms and, in particular:</del></p>	
<p>1. To bring before the Board any proposals for the selection, appointment, reappointment and substitution of the statutory auditor, as well as the terms for contracting said auditor.</p>	<p><del>E) 4-</del> To bring before the Board any proposals for the selection, appointment, reappointment and substitution of the <del>statutory auditor</del> <u>external auditor</u>, as well as the terms for contracting said auditor.</p>	
<p>2. To regularly receive information from the statutory auditor on the audit plan and the results of the execution thereof, and verify that senior management takes its recommendations into account.</p>	<p><del>E) 2-</del> To regularly receive information from the <del>statutory auditor</del> <u>external auditor</u> on the audit plan and the results of the execution thereof, <del>and verify that senior management takes its recommendations into account.</del></p>	
<p>3. To ensure the independence of the auditor and, for such purpose:</p>	<p><del>G) 3-</del> To ensure the independence of the <del>statutory auditor</del> <u>external auditor</u> and, for such purpose:</p>	
<p>i) The Audit and Compliance Committee shall receive annually from the auditors or audit firms written confirmation of their independence vis-à-vis the Company and/or entities directly or indirectly related to the Company, as well as information on additional services of any nature that were provided.</p>	<p><del>1. i) The Audit and Compliance Committee</del> <u>To ensure that compensation of the external auditor does not compromise its quality or independence and to establish the relevant relationships with the auditor in order to receive information on all matters which may place their independence at risk, for review by the Committee, as well as on any other matters related to the auditing of the accounts, including all communications as provided for by accounting and auditing legislation and standards. In any event, it shall receive annually from the <del>external auditors</del> <u>auditors or audit firms written confirmation of a statement on</u> their independence <del>vis-à-vis the Company and/</del> <u>in relation to any entity</u> or entities directly or indirectly related to the Company, as well as information on</u></p>	

	<p>additional services of any nature that were provided <u>together with the applicable fees received from such entities by either the external auditor or other persons or entities related thereto in accordance with applicable legislation on the auditing of accounts.</u></p>	
<p>ii) The Audit Committee shall issue a report, on an annual basis, expressing an opinion on the independence of the statutory auditors or audit firms before the auditors' report is published. This report shall, in any case, express an opinion on the additional services referred to in the preceding paragraph.</p>	<p><del>2. ii)</del>The Audit and Compliance Committee shall issue a report, on an annual basis, expressing an opinion on the independence of the statutory auditors or audit firms before the auditors' report is published. This report shall, in any case, <del>express an opinion on</del><u>include a valuation of the additional services referred to in the preceding paragraph, <u>accounted for both individually and collectively, and which were provided apart from the statutory auditing and in relation to independence requirements or auditing regulations.</u></u></p>	
	<p><u>The provisions set forth herein above shall be interpreted notwithstanding any statutory audit regulations.</u></p>	
	<p><u>3. The Audit and Compliance Committee shall verify that:</u></p>	
<p>iii) The company reports the change of auditor as a material fact to the Spanish Securities Market Commission (<i>Comisión Nacional del Mercado de Valores - CNMV</i>), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.</p>	<p><del>iii) The company</del><u>ii) The Company</u> reports the change of <u>external</u> auditor as a material fact to the Spanish Securities Market Commission (<i>Comisión Nacional del Mercado de Valores - CNMV</i>), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.</p>	
<p>iv) The company and the auditor comply with the rules in force on the provision of non-auditing services, limits to the concentration of the auditor's business and, in general, with any additional rules established to ensure auditor independence;</p>	<p><del>iv) The company</del><u>ii) The Company</u> and the <u>external</u> auditor comply with the rules in force on the provision of non-auditing services, limits to the concentration of the auditor's business and, in general, with any additional rules established to ensure auditor independence.</p>	
<p>v) If the external auditor resigns, the circumstances that led to said resignation shall be reviewed.</p>	<p><del>4</del><u>If the <del>statutory</del>external auditor resigns, <u>the Audit and Compliance Committee shall review</u> the circumstances that led to said resignation.</u></p>	
<p>4. To ensure, in the case of corporate groups, that the auditor for the group takes responsibility for auditing</p>	<p><del>H) 4. To ensure, in the case of corporate groups</del><u>To ensure that the <u>external</u> auditor for the group takes</u></p>	

the businesses within the group.	responsibility for auditing the <del>businesses</del> <u>companies</u> within the group.	
	<u>I) [To remain apprised of any transactions proposed by the Company that would implement structural and corporate changes in order to analyze such transactions and report to the Board of Directors regarding the financial terms and accounting effects thereof and, in particular, as the case may be, regarding the proposed exchange ratio]<sup>1</sup>.</u>	
G) To communicate proposed amendments to the Company's Code of Ethics.	<u>J) <del>G)</del>—To communicate proposed amendments to the Company's Code of Ethics <u>and monitor compliance therewith.</u></u>	
	<u>K) <u>To monitor the communications strategy and relationships with shareholders and investors, including small and medium shareholders.</u></u>	
	<u>L) <u>To monitor compliance with the company's corporate governance rules and regularly assess whether the corporate governance system is appropriate with a view to ensuring that its objective of promoting corporate interests is met and taking into account, as applicable, the legitimate interests of the remaining interest groups.</u></u>	
	<u>M) <u>To review the Company's corporate social responsibility policy, ensuring it is aimed at creating value.</u></u>	
	<u>N) <u>To monitor the corporate social responsibility strategy and practices and assess compliance therewith.</u></u>	
	<u>O) <u>To monitor and assess the engagement processes for different interest groups.</u></u>	
	<u>P) <u>To assess all aspects related to the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.</u></u>	

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<sup>1</sup> [Recommendation 44](#)

	<a href="#">Q) To coordinate the process for reporting non-financial and diversity information in accordance with the applicable regulations and international benchmarks.</a>	
These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors.	These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors.	
	<a href="#">[23.7 The Audit and Compliance Committee may call a meeting with any employee or executive of the Company, including to require that they appear without the attendance of any other executives. This duty shall be exercised through the secretary of the Board of Directors.<sup>2</sup></a>	
14.9 The person responsible for internal auditing shall present its annual work plan to the Audit and Compliance Committee; it shall directly report any incidents arising in the implementation thereof; and it shall submit an activities report at the end of each fiscal year.	<del>14.9</del> <a href="#">23.8</a> The person responsible for internal auditing shall present its annual work plan to the Audit and Compliance Committee; it shall directly report any incidents arising in the implementation thereof; and it shall submit an activities report at the end of each fiscal year.	
14.10 The Audit Committee shall report to the Board before the latter makes any decisions on the following matters:	<del>14.10</del> <a href="#">23.9</a> The Audit and <u>Compliance</u> Committee shall report to the Board before the latter makes any decisions on the following matters:	
A) The financial information that, due to its status as a listed company, the company shall periodically make public. The Committee shall ensure that the interim financial statements are formulated pursuant to the same accounting criteria as the annual financial statements and, for such purpose, shall consider whether a limited review by the statutory auditor is appropriate.	<u>A)</u> The financial information that, due to its status as a listed company, the <u>Company</u> shall periodically make public. <del>The Committee shall ensure that the interim financial statements are formulated pursuant to the same accounting criteria as the annual financial statements and, for such purpose, shall consider whether a limited review by the statutory auditor is appropriate.</del>	
B) The creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to	<u>B)</u> The creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to	

<sup>2</sup> [Recommendation 43](#)

<p>their complexity, may detract from the transparency of the group.</p>	<p>their complexity, may detract from the transparency of the group.</p>	
<p>C) Related party transactions, in the terms governed by the Board of Directors.</p>	<p><u>C)</u> Related party transactions, in the terms governed by the Board of Directors.</p>	
<p><b>Article 15. Appointments and Compensation Committee</b></p>	<p><b>Article <del>15</del>24. Appointments and Compensation Committee</b></p>	
<p>15.1 The Appointments and Compensation Committee shall be comprised of a minimum of four and a maximum of six Board members, appointed by the favorable vote of the majority of the Board itself. Non-executive directors must form a majority of its members. The Board of Directors shall aim to appoint members to the Appointments and Compensation Committee based on their knowledge, skills and experience.</p>	<p><del>15.1—24.1</del> <u>24.1</u> The Appointments and Compensation Committee shall be comprised of a minimum of <del>four</del><u>three</u> and a maximum of six <del>Board members non-executive Directors</del>, appointed by the favorable vote of the majority of the Board itself. <del>Non-executive directors must form a majority of its members.</del> <u>at least two of which shall be Independent Directors.</u> The Board of Directors shall aim to appoint members to the Appointments and Compensation Committee based on their knowledge, skills and experience.</p>	<p>On the one hand, the changes incorporate all of the provisions of Article 529 quidecimas in relation to what the law describes as an appointments and compensation committee.</p> <p>On the other hand, the amendments go beyond the legal framework, expanding the duties of the Appointments and Compensation Committee to include nearly all of the content of Recommendations 25 and 50 of the Corporate Governance Code.</p>
<p>15.2 The Chairman of the Appointments and Compensation Committee shall be appointed by the Board of Directors from among the non-executive directors, with the favorable vote of the majority of the Board itself. The Chairman must be removed every four years but may be reappointed one year after removal has lapsed. In the Chairman's absence, the member temporarily designated by the Board of Directors, if any, or, otherwise, the oldest member of the Committee, shall substitute the Chairman.</p>	<p><del>15.2—24.2</del> <u>24.2</u> The Chairman of the Appointments and Compensation Committee shall be appointed by the Board of Directors, by a favorable vote of the majority thereof, from among the <del>non-executive directors</del><u>Independent Directors on the Committee.</u> <del>The Chairman must be removed every four years but may be reappointed one year after removal has lapsed.</del> In the Chairman's absence, <del>the member temporarily designated by the Board of Directors, if any,</del> <u>the independent director with the highest seniority on the Committee or,</u> otherwise, the oldest <del>member of</del><u>independent director on</u> the Committee shall substitute the Chairman.</p>	<p>In this regard, the Committee has the following powers: "To ensure that the non-executive directors have enough time to properly perform their duties"; "To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives"; "To report on the basic contracting conditions and, in the case of appointment of senior executives, on compensation"; "To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee"; "To assess and coordinate the removal of the Chairman of the Board of Directors and the Company's CEO and, as the case may be, develop proposals for the Board of Directors such that said removal may be completed as smoothly and orderly as possible"; "To propose the Directors' Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring</p>
<p>15.3 The Appointments and Compensation Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of</p>	<p><del>15.3—24.3</del> <u>24.3</u> The Appointments and Compensation Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in</p>	

its members are in attendance, in person or by proxy.	person or by proxy.	<i>compliance therewith"; and "To verify information regarding compensation of directors and Senior Executives provided in various corporate documents, including the annual report on director compensation."</i>
15.4 Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.	<del>15.4</del> <u>24.4</u> Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.	
15.5 As deemed necessary for the performance of its duties, the Appointments and Compensation Committee may seek external advice	<del>15.5</del> <u>24.5</u> As deemed necessary for the performance of its duties, the Appointments and Compensation Committee may seek external advice.	
15.6 The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board.	<del>15.6</del> <u>24.6</u> The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board. <u>The minutes shall be made available to all members of the Board of Directors.</u>	
	<u>24.7 The Appointments and Compensation Committee may call a meeting with any employee or executive of the Company. This power shall be exercised through the secretary of the Board of Directors.</u>	
15.7 The Appointments and Compensation Committee shall be granted, <i>inter alia</i> , the duties to report on and propose the appointment of Board members, whether by co-optation or as a proposal to the General Shareholders' Meeting, ensuring that there are no implicit flaws in the selection procedures which could limit the selection of female directors. Furthermore, it shall report on their compensation.	<del>15.7</del> <u>24.8</u> The Appointments and Compensation Committee shall be granted, <del><i>inter alia</i>, the duties to report on and propose the appointment of Board members, whether by co-optation or as a proposal to the General Shareholders' Meeting, ensuring that there are no implicit flaws in the selection procedures which could limit the selection of female directors. Furthermore, it shall report on their compensation.</del> <u>the following duties:</u>	
The Committee shall also be entrusted with the following duties:	<del>The Committee shall also be entrusted with the following duties:</del>	
A) To assess the skills, knowledge and experience necessary on the Board and, consequently, to define the duties and skills that the candidates must have in order to cover each vacancy and to consider the time and dedication required in order to properly carry out their position.	A) To assess the skills, knowledge and experience necessary on the Board <del>and, consequently, to define of</del> <u>Directors. For such purpose, the Committee shall define</u> the duties and skills that the candidates must have in order to cover each vacancy, and <del>to</del> <u>shall</u> consider the time and dedication required in order to <del>properly</del> <u>efficiently</u> carry out their position, <u>ensuring, in particular, that non-executive directors have enough time to properly</u>	

	<a href="#">perform their duties.</a>	
	<a href="#">B) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives.</a>	
	<a href="#">C) To raise all proposals for appointment of Independent Directors to the Board of Directors for their appointment by co-optation or by submission to decision of the General Shareholders' Meeting, as well as all proposals for their reappointment or removal by the General Shareholders' Meeting.</a>	
	<a href="#">D) To provide notification of all appointment proposals for remaining Directors for their appointment by co-optation or by submission to decision of the General Shareholders' Meeting, as well as all proposals for their reappointment or removal by the General Shareholders' Meeting.</a>	
B) To submit proposals to the Board of Directors for the appointment of members to each of the Committees, including the Executive Committee.	<a href="#">E) <del>B)</del> To submit proposals to the Board of Directors for the appointment of members to each of the Committees including <u>if any</u>, the Executive Committee.</a>	
C) To report to the Board of Directors on appointments and removals of Endesa Senior Management and of the Chief Executives of Enersis, Chilectra and Endesa Chile.	<a href="#">E) <del>C)</del> To report <del>to the Board of Directors on appointments and removals of Endesa Senior Management and of the Chief Executives of Enersis, Chilectra and Endesa Chile</del> the proposals for appointment and removal of Endesa's Senior Executives, including as regards basic contracting conditions and compensation.</a>	
D) To approve compensation for the members of Senior Management in the terms defined in the preceding section.	<a href="#">D) <del>To approve compensation for the members of Senior Management in the terms defined in the preceding section.</del></a>	
E) To decide on the adoption of compensation arrangements for Senior Management that take into account the earnings of the companies. It shall also apprise itself of and assess the company's policy on executive positions, particularly in the areas of training, promotion and selection.	<a href="#">G) <del>E) To decide on</del> To propose the adoption of compensation arrangements for Senior Management that take into account the earnings of the companies. It shall also apprise itself of and assess the <del>company's</del> <u>Company's</u> policy on executive positions, particularly in the areas of training, promotion and selection.</a>	
F) To determine the specific rules of association of the	<a href="#">F) <del>To determine the specific rules of association of the</del></a>	

Chairman and the Chief Executive Officer with the company.	<del>Chairman and the Chief Executive Officer with the company.</del>	
G) To prepare, amend and approve the Senior Management Charter.	<del>G) To prepare, amend and approve the Senior Management Charter.</del>	
H) To ensure compliance with the compensation policy established by the company.	<del>H) To ensure compliance with the compensation policy established by the company.</del>	
	<u>H) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Appointments and Compensation Committee.</u>	
	<u>I) To assess and organize the succession of the Chairman of the Board of Directors and of the Company's Chief Executive Officer and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.</u>	
	<u>J) To propose the Directors' Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring compliance therewith.</u>	
	<u>K) To verify information regarding compensation of Directors and Senior Executives provided in various corporate documents, including the annual report on director compensation.</u>	
These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters for which it is specifically responsible.	These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters for which it is specifically responsible.	
The Appointments and Compensation Committee shall consult with the company's Chairman and Chief Executive Officer, in particular on matters related to the executive directors and senior executives. Any director may request that the Appointments Committee consider, if deemed suitable, potential candidates to fill vacancies in the	The Appointments and Compensation Committee shall consult with the <del>company's</del> <u>Company's</u> Chairman and Chief Executive Officer, in particular on matters related to the executive directors and <del>senior executives</del> <u>Senior Executives</u> . Any director <del>may</del> <u>shall be able to</u> request that the Appointments and <u>Compensation Committee</u> consider, if deemed suitable, potential candidates to fill	

position of Director.	vacancies in the position of director.	
	<b><u>TITLE VII RIGHTS AND DUTIES OF DIRECTORS</u></b>	
	<b><u>25. Duty of Due Diligence</u></b>	
	<u>25.1 Directors shall carry out their position and perform the duties imposed thereon by law, the Corporate Bylaws and these Regulations with the diligence of a prudent businessman, taking into account the nature of the position and duties attributed to the Director.</u>	<p><b>Articles 25 and 26</b> develop the general framework for the duties of directors, in line with the provisions of Articles 225, 226 and 227 of the Capital Corporations Law, which were subject to an in-depth revision by the aforesaid Law 31/2014. The proposals provide that diligence in carrying out positions shall be assessed based on the duties attributed to each director and expressly includes the duty of the director to act independently without the interference of third parties.</p>
<i>[Note: the following sections are taken from current Article 26.2]</i>	<u>25.2 Directors shall have the necessary dedication and shall adopt those measures necessary for the proper management and control of the Company.</u>	
A) Obtain the necessary information and adequately prepare meetings of the Board and of any corporate bodies of which they are a member	<u>25.3 <del>A) Obtain the necessary information</del> In performing their duties, the Directors have a duty to request, and the right to gather all information from the Company which may be appropriate and necessary in order to perform their duties,</u> and shall adequately prepare meetings of the Board and of any corporate bodies of which they are a member.	
B) Attend the meetings of the corporate bodies of which they are a member and actively participate in debates with a view to contributing effectively to the decision-making process. If a Director is unable, for just cause, to attend a meeting to which he/she has been called, he/she shall provide instructions to the Director representing him/her, if any.	<u>25.4 <del>B) Attend</del> Furthermore, Directors shall attend</u> the meetings of the corporate bodies of which they are a member and actively participate in debates with a view to contributing effectively to the decision-making process. If a Director is unable, for just cause, to attend a meeting to which he/she has been called, he/she shall provide instructions to the Director representing him/her, if any.	
	<u>25.5 The Company may purchase an insurance policy to cover the civil liability of Directors and executives arising in the performance of their duties, except as regards actions that are uninsurable under Spanish law.</u>	
<b>Article 26. Directors' Duties</b>	<b><u>Article 26. Duty of Loyalty</u></b>	
26.1 All Directors have the duty to contribute to the functioning of the Board and to lead and oversee the management of the company. In performing their duties, the Directors shall act faithfully in the corporate interests, with loyalty and due care. Their conduct shall be guided	<del>26.1 All Directors have the duty to contribute to the functioning of the Board and to lead and oversee the management of the company. In performing their duties, the Directors shall act faithfully in the corporate interests, with loyalty and due care. Their conduct shall be guided</del>	

<p>solely by the corporate interests, in the widest sense, and they shall ensure at all the times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.</p>	<p><del>solely by the corporate interests</del>-26.1 <u>The Directors shall act as loyal representatives in performing their duties, acting in good faith and in the best interests of the Company,</u> in the widest sense, and they shall ensure at all the times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.</p>	
<p>26.2 The Directors shall, by virtue of their office, be required, in particular, to:</p>	<p>26.2 The Directors shall, by virtue of their office, be required, in particular, to:</p>	
	<p><u>A) Refrain from exercising their powers for purposes other than those for which they were granted.</u></p>	
	<p><u>B) Perform their duties under the principle of personal responsibility with freedom of expression or judgment and independence as regards the instructions of, or relations with, third parties.</u></p>	
<p>A) Obtain the necessary information and adequately prepare meetings of the Board and of any corporate bodies of which they are a member.</p>	<p><i>[Note: moved to Article 25 (Duty of Due Diligence)]</i></p>	
<p>B) Attend meetings of the corporate bodies of which they are a member and actively participate in debates with a view to contributing effectively to the decision-making process. If a Director is unable, for just cause, to attend a meeting to which he/she has been called, he/she shall provide instructions to the Director representing him/her, if any.</p>	<p><i>[Note: moved to Article 25 (Duty of Due Diligence)]</i></p>	
<p>C) Report any transactions carried out by family members and companies related, by virtue of ownership, to the Director if such transactions are relevant to the management of the company.</p>	<p><del>C) Report any transactions carried out by family members and by companies related, by virtue of ownership, to the Director if such transactions are relevant to the management of the company.</del></p>	
<p>D) Dedicate the time and effort to their duties as required to effectively carry out their position. Directors must therefore notify the Appointments and Compensation Committee of any other professional obligations they have and which could interfere with the dedication required.</p>	<p><del>D) Dedicate the time and effort to their duties as required to effectively carry out their position. Directors must therefore notify the Appointments and Compensation Committee of any other professional obligations they have and which could interfere with the dedication required.</del></p>	

<p>E) The Directors shall be governed by, in exercising their duties, the general principles and rules of conduct established in the Company's Code of Ethics.</p>	<p><del>C) Comply with E)</del> <del>The Directors shall be governed by, in exercising their duties,</del> the general principles and rules of conduct established in the Company's Code of Ethics.</p>	
<p>26.3 Directors affected by proposals for appointment, reappointment or removal shall refrain from participating in debates and voting on such matters. Voting shall be by secret ballot.</p>	<p><del>26.3 Directors affected by proposals for appointment, reappointment or removal shall refrain from participating in debates and voting on such matters. Voting shall be by secret ballot.</del></p>	
<p><b>Article 27. Duty of Confidentiality</b></p>	<p><u><a href="#">Article 27. Duty of Confidentiality</a></u></p>	
<p>The directors, even after ceasing to perform their duties, shall keep all confidential information secret, including data, reports and records which discovered while performing their duties, and such information shall not be disclosed to third parties or when such disclosure could have harmful consequences for the corporate interests.</p>	<p><del>27.1 The directors</del><u>Directors</u>, even after ceasing to perform their duties, shall keep secret all <del>confidential information, including</del> information, data, reports and records <u>to which they had access as a result of their position, even when they have ceased to hold said office, except in such cases as required or permitted by law</u> <del>which discovered while performing their duties, and such information shall not be disclosed to third parties or when such disclosure could have harmful consequences for the corporate interests.</del></p>	<p>This article substantially reproduces the content of Article 228 of the Capital Corporations Law.</p>
<p>The duty referred to in the preceding paragraph shall not apply to any cases where legislation permits communication or disclosure of the above to third parties or, as the case may be, where disclosure to the respective supervisory authorities is required, in which case the disclosure of information shall comply with legislative provisions.</p>	<p><del>The duty referred to in the preceding paragraph shall not apply to any cases where legislation permits communication or disclosure of the above to third parties or, as the case may be, where disclosure to the respective supervisory authorities is required, in which case the disclosure of information shall comply with legislative provisions.</del></p>	
<p>27.2 Where the director is a legal entity, the representative thereof shall be bound by the duty of confidentiality.</p>	<p>27.2 Where the <del>director</del><u>Director</u> is a legal entity, the representative thereof shall be bound by the duty of confidentiality.</p>	
	<p><b>Article 28. Conflict of Interest</b></p>	
	<p><u><a href="#">28.1 The directors shall establish necessary measures to prevent their interests, whether for themselves or on behalf of third parties, from coming into conflict with corporate interests and their duties to the Company.</a></u></p>	<p>This article incorporates the content of Article 229 of the Capital Corporations Law. This article lists the following as conduct in violation of the duty of loyalty:</p>

	<a href="#">28.2 In particular, the duty to avoid conflicts of interest requires directors to abstain from:</a>	<ul style="list-style-type: none"> <li>Carrying out transactions with the Company, except as related to ordinary transactions, which are made under standard conditions for all clients and are immaterial, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.</li> <li>Using corporate assets, including the Company's confidential information, for private purposes.</li> <li>Taking advantage of the Company's business opportunities.</li> <li>Obtaining advantages or compensation from third parties other than the Company and its group for performing their duties, excluding as minor hospitality.</li> <li>Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.</li> </ul> <p>Nevertheless, it is also established that the Company may waiver fulfillment of obligations under the duty of loyalty by authorization of the Board of Directors, or for the most significant issues, by authorization of the General Meeting.</p>
	<a href="#">A) Carrying out transactions with the Company, except as related to ordinary immaterial transactions made under standard conditions for all clients, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.</a>	
	<a href="#">B) Using the Company's name or invoking their condition as a director thereof to unduly influence private transactions.</a>	
	<a href="#">C) Using corporate assets, including the Company's confidential information, for private purposes.</a>	
	<a href="#">D) Taking advantage of the Company's business opportunities.</a>	
	<a href="#">E) Obtaining advantages or compensation from third parties other than the Company and its group for performing their duties, excluding as minor hospitality.</a>	
	<a href="#">F) Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.</a>	
	<a href="#">The provisions set forth in this section shall also apply when the beneficiary of the restricted actions or activities is related to the Director.</a>	
	<a href="#">The waiver of the obligations set forth in this section, as the case may be, shall require approval of the Board of Directors or of the General Shareholders' Meeting, in accordance with the provisions of law and all other internal regulations of the Company.</a>	
	<a href="#">28.3 The Directors shall disclose to the Board of Directors, via the Board Secretary, any direct or indirect conflict of interest between them and the Company. The</a>	

	<a href="#">Directors shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person have a direct or indirect conflict of interest. Those resolutions or decisions which affect the Directors in their condition as administrators, including as regards appointment and removal from offices on the Board of Directors, its Committees and the Executive Committee, or other analogous resolutions or decisions, shall not be covered by the aforesaid requirement to abstain.</a>	
	<a href="#">28.4 In any event, any conflicts of interest affecting the Directors of the Company shall be reported in accordance with the law in force.</a>	
	<b><a href="#">TITLE VIII DIRECTORS' RIGHT TO INFORMATION</a></b>	
<b>Article 30. Right to counseling and information</b>	<b><a href="#">Article 29. Right to counseling and information</a></b>	This new text codifies the duty to request and the right to collect information from the Company as required to carry out office, primarily following the current system.
30.1 The Directors shall, whenever performance of their duties so requires, have access to all of the company's services and may request such information and counseling as they may require on any matter. The right to information shall also cover investees, and shall be exercised by addressing to the Chairman, through the Board Secretary, and conveyed by the Chief Executive Officer.	29.1 The Directors shall, whenever performance of their duties so requires, have access to all of the <del>company's services and may request such information and</del> <a href="#">Company's services and shall have the duty to request and the right to collect information from the Company as required and necessary to carry out their duties, and shall also have access to</a> counseling as they may require on the matter. The right to information shall also cover investees, and shall be exercised by addressing to the Chairman, through the Board Secretary, and conveyed by the Chief Executive Officer. Furthermore, the Board may request information on the actions of Senior Management of the Company and may ask for such explanations as it sees fit. Such requests shall be made by the Chairman through the Board Secretary and shall be conveyed by the Chief Executive Officer.	
30.2 The Directors, by majority, shall also have the power to make proposals to the Board regarding the engagement, at the company's expense, of such legal, accounting, technical, financial, commercial or other advisers as they consider necessary in order to assist	29.2 <del>—The Directors, by majority,—</del> <a href="#">The majority of the Directors and the Coordinating Director</a> shall also have the power to make proposals to the Board regarding the engagement, at the <a href="#">Company's</a> expense, of such legal, accounting, technical,	

<p>them in performing their duties as related to specific problems of a certain importance and complexity related to the performance of their work.</p>	<p>financial, commercial or other advisers as they consider necessary in order to assist them in performing their duties as related to specific problems of a certain importance and complexity related to the performance of their work.</p>	
<p>30.3 The above proposal must be notified to the company Chairman through the Board Secretary and will be conveyed by the Chief Executive Officer. The Board may refuse to approve financing for the advisory services referred to in the preceding paragraph on the grounds that they are not necessary for the performance of the duties entrusted, that their amount is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by company personnel.</p>	<p>29.3 The above proposal must be notified to the <u>Company</u> Chairman through the Board Secretary and will be conveyed by the Chief Executive Officer. The Board may refuse to approve financing for the advisory services referred to in the preceding paragraph on the grounds that they are not necessary for the performance of the duties entrusted, that their amount is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by <u>Company</u> personnel.</p>	
<p>30.4 The company shall establish an orientation program that will quickly provide new Directors with sufficient knowledge on the company, as well as on its rules of corporate governance. In addition, it shall also offer directors knowledge update programs when circumstances so advise.</p>	<p>29.4 <u>The Company</u> shall establish an orientation program that will quickly provide new directors with sufficient knowledge on the <del>company</del><u>Company</u>, as well as on its rules of corporate governance. In addition, it shall also offer directors knowledge update programs when circumstances so advise.</p>	
	<p><b><u>TITLE IX DIRECTORS' COMPENSATION</u></b></p>	
<p><b>Article 32. Directors' Compensation</b></p>	<p><b><u>Article 30. Directors' Compensation</u></b></p>	
<p>32.1 Directors shall be entitled to the following compensation items: fixed monthly salary and a share in the profits. The overall annual compensation for the entire Board and for all the above items will be one-thousandth of consolidated group income, as approved by the Shareholders' Meeting, although the Board of Directors may reduce this percentage in such fiscal years as it sees fit. All the foregoing is without prejudice to the provisions of the third paragraph of this Article on attendance allowances</p>	<p><u>30.1</u> Directors shall be entitled <u>based on their condition as such</u> to the following compensation items: fixed monthly salary and <del>a share in the profits. The overall annual compensation for the entire Board and for all the above items will be one-thousandth of consolidated group income, as approved by the Shareholders' Meeting, although the Board of Directors may reduce this percentage in such fiscal years as it sees fit. All of the foregoing is without prejudice to the provisions of the third paragraph of this Article on attendance allowances</del><u>attendance allowances for each meeting of the governing bodies of the Company and its committees.</u></p>	<p>The reform of the compensation regime set forth in Article 30 introduces the changes made to Article 41 of the Corporate Bylaws by virtue of the reform approved by the General Shareholders' Meeting on April 27, 2015.</p> <p>This amendment redefined and clarified the compensation regime for directors, significantly improving transparency by giving the General Meeting the power to determine the maximum global and annual amounts that the Directors of Endesa may earn for their condition as such.</p> <p>The Board itself shall be in charge of determining the</p>

	<p><u>Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and shall remain in effect until it resolves upon an amendment thereof.</u></p>	<p>exact amount to be paid in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.</p> <p>Notwithstanding the above, the Directors, regardless of their category, may waive their right to receive compensation as a fixed monthly salary and/or allowances for attendance at meetings of the Board of Directors, the Executive Committee and/or other Committees.</p> <p>This amendment is made in compliance with the changes to the bylaws and reproduces for Board members that have been appointed as managing directors or to whom executive duties were otherwise granted the applicable legal regime in accordance with the provisions of Article 249 of the Capital Corporations Law, following the reform carried out under Law 31/2014, taking into consideration the provisions of Articles 529 septdecies, 529 octodecies and 529 novodecies of the Capital Corporations Law.</p>
<p>The Board itself shall be responsible for distributing the aforementioned amount between the previous items and the directors in the manner, time and proportion as freely determined thereby.</p>	<p><u>The Board itself shall be responsible for determining the exact amount to be paid in each fiscal year, subject to the limit set forth by the General Shareholders' Meeting, as well as for distributing such amount. <del>The Board itself shall be in responsible for distributing the aforementioned amount</del> between the previous items and the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and any other objective circumstances deemed relevant by the Board.</u></p>	
	<p><u>Notwithstanding the above, the Directors, regardless of their category, may waive their right to receive compensation as a fixed monthly salary and/or attendance allowances for meetings of the Board of Directors, the Executive Committee and/or other Committees.</u></p>	
<p>32.2 Board members will also receive allowances for attending each meeting of the governing bodies of the company and its committees. The amount of that allowance shall be no more than the amount which, according to the above paragraphs, is determined as the monthly fixed salary. The Board of Directors may, within such limit, determine the amount of the allowances.</p>	<p><u>30.2 The amount of the attendance allowances</u> <del>32.2 —Board members will also receive allowances for attending each meeting of the governing bodies of the company and its committees. The amount of that allowance</del> shall be no more than the amount which, according to the above paragraphs, is determined as the monthly fixed salary. The Board of Directors may, within such limit, determine the amount of the allowances.</p>	
<p>32.3 The compensation set forth in the preceding sections, applicable to members of the Board of Directors, shall be compatible with all other professional or labor compensation items to which the Directors may be entitled due to any other executive or advisory duties they may perform for the company, which are separate from</p>	<p><u>30.3</u> The compensation set forth in the preceding sections, applicable to members of the Board of Directors, shall be compatible with all other <del>compensation items</del> <u>compensation, indemnities, social security contributions or any other</u> professional or labor <u>compensation items</u> to which the Directors may be entitled due to any other</p>	

<p>the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.</p>	<p>executive or advisory duties they may perform for the <a href="#">Company</a> which are separate from the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.</p>	
<p>32.4 In accordance with the provisions of Article 218.2 of the Capital Corporations Law, the Directors may only receive the profit-sharing portion of their compensation after the legal and statutory reserves and allocations have been covered and after the shareholders have received a minimum dividend of 4%.</p>	<p><del>32.4 In accordance with the provisions of Article 218.2 of the Capital Corporations Law, the Directors may only receive the profit-sharing portion of their compensation after the legal and statutory reserves and allocations have been covered and after the shareholders have received a minimum dividend of 4%.</del></p>	
<p>32.5 External Directors shall receive only that compensation which is required to compensate for their dedication to their conduct as directors, without compromising their independence, which may include group insurance and civil liability insurance for any liability arising from their duties as directors.</p>	<p><del>32.5 External Directors</del> <u>30.4 Non-executive Directors</u> shall receive only that compensation which is required to compensate for their dedication to their conduct as directors, without compromising their independence, which may include group insurance and civil liability insurance for any liability arising from their duties as directors.</p>	
<p>32.6 The Chairman shall receive, in accordance with section 3 of this article, such compensation as may be established in determining the specific legal rules governing the relationship with the company.</p>	<p><del>32.6 The Chairman shall receive, in accordance with section 3 of this article, such compensation as may be established in determining the specific legal rules governing the relationship with the company.</del></p>	
<p>The Chief Executive Officer shall receive, in addition to that provided for in the preceding sections applicable to the Directors of the company, and in accordance with section three of this article, compensation as provided in its contract with the company, which shall specify the CEO's rights and obligations both during and after termination of the relationship with the company.</p>	<p><del>The Chief Executive Officer shall receive, in addition to that provided for in the preceding sections applicable to the Directors of the company, and in accordance with section three of this article, compensation as provided in its contract with the company, which shall specify the CEO's rights and obligations both during and after termination of the relationship with the company.</del></p>	
	<p><u>30.5 When a member of the Board of Directors is appointed as the Chief Executive Officer or is otherwise granted executive powers, an agreement shall be executed between said individual and the Company, which shall be previously approved by the Board of Directors under the terms provided by law.</u></p>	
<p>Fixed compensation amounts, applicability of variable</p>	<p>Fixed compensation amounts, applicability of variable</p>	

<p>compensation, and compensation of the Chairman and the Chief Executive Officer under their specific arrangements shall be proposed to the Board by the Appointments and Compensation Committee, and shall be subject to the obligation of transparency.</p>	<p>compensation, and compensation of the Chairman and the Chief Executive Officer under their specific arrangements shall be proposed to the Board by the Appointments and Compensation Committee, and shall be subject to the obligation of transparency.</p>	
<p>32.7 The Board of Directors shall approve an annual report on the Director's compensation policy, at the proposal of the Appointments and Compensation Committee. This report shall be made available to the shareholders.</p>	<p><u>30.6</u> The Board of Directors shall approve an annual report on <del>the</del> Directors' compensation <del>policy</del>, at the proposal of the Appointments and Compensation Committee. This report shall be made available to the shareholders.</p>	
	<p><u>Furthermore, the Board of Directors shall, at least every three years, propose the approval of a Director's Compensation Policy to the General Shareholders' Meeting.</u></p>	
	<p><b><u>TITLE X RELATIONSHIPS OF THE BOARD OF DIRECTORS</u></b></p>	
<p><b>Article 17. Relations with the shareholders in general</b></p>	<p><b>Article <del>17</del><u>31</u>. Relations with shareholders and investors in general</b></p>	
<p>17.1 The Board shall establish suitable mechanisms to ensure it is apprised of any proposals that, as the case may be, they may make in relation to the management of the company.</p>	<p><del>17.1</del> <u>31.1</u> The Board shall establish suitable mechanisms to ensure it is apprised of any proposals that, as the case may be, <del>they</del><u>shareholders</u> may make in relation to the management of the <del>company</del><u>Company</u>.</p>	<p>This article states that Endesa must be regularly notified of any changes to shareholdings and of the opinions held by the significant shareholders, investors and credit rating agencies regarding its Company and group, with a view to reinforcing the information available to the Board of Directors regarding Endesa's shareholding structure.</p>
<p>17.2 The Board shall monitor any information systems established by the company for the various groups of shareholders and which may not accord any privilege to such shareholders.</p>	<p><del>17.2</del> <u>31.2</u> The Board shall monitor any information systems established by the <del>company</del><u>Company</u> for the various groups of shareholders and which may not accord any privilege to <del>such shareholders</del><u>shareholders in identical circumstances</u>.</p>	<p>Furthermore, in relation to the Company's website, these updates establish the right of the Board of Directors to delegate responsibility to the Secretary for updating information on the website and ensuring the adequacy of its content.</p>
<p>17.3 The Board of Directors, following a report by the Audit and Compliance Committee, shall approve, on an annual basis, the Company's corporate governance report, which shall include all legally required contents and, as the case may be, any other contents it deems appropriate.</p>	<p><del>17.3</del> <u>31.3</u> <del>[The Board of Directors, following a report by the Audit and Compliance Committee, shall approve, on an annual basis, the Company's corporate governance report, which shall include all legally required contents and, as the case may be, any other contents it deems appropriate.</del> <u>shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as</u></p>	

	<a href="#">regards the Company and its group.<sup>8</sup></a>	
The annual corporate governance report shall be made public at the time the Annual General Shareholders' Meeting is convened or prior to the calling thereof. The report shall be publicized as required by law.	<del>The annual corporate governance report shall be made public at the time the Annual General Shareholders' Meeting is convened or prior to the calling thereof. The report shall be publicized as required by law.</del>	
17.4 The Company shall maintain a corporate website to provide information, at a minimum, as required by law, to shareholders and investors.	<del>17.4</del> <a href="#">31.4</a> The Company shall maintain a corporate website to provide information, at a minimum, as required by law, to shareholders and investors. The Board may delegate the duty to maintain the website up to date and ensure the adequacy of the content thereof to the Board Secretary.	
<b>Article 18. Relations with the General Shareholders' Meeting</b>	<b>Article <del>18</del><a href="#">32</a>. Relations with the General Shareholders' Meeting</b>	
The Board of Directors shall encourage the participation of shareholders at Shareholders' Meetings by providing due information, as provided for in the General Shareholders' Meeting Regulations.	<a href="#">32.1</a> The Board of Directors shall encourage the participation of shareholders at Shareholders' Meetings by providing due information, as provided for in the General Shareholders' Meeting Regulations.	
The Board shall adopt such measures as may be appropriate to facilitate performance by the General Shareholders' Meeting of the duties assigned thereto pursuant to law, the Corporate Bylaws and the General Shareholders' Meeting Regulations.	<a href="#">32.2</a> The Board shall adopt such measures as may be appropriate to facilitate performance by the General Shareholders' Meeting of the duties assigned thereto pursuant to law, the Corporate Bylaws and the General Shareholders' Meeting Regulations.	
<b>Article 19. Relations with the Auditors</b>	<b>Article <del>19</del><a href="#">33</a>. Relations with the <del>Auditors</del><a href="#">external auditors</a></b>	
The Board shall establish, directly or through the Audit and Compliance Committee, an objective, professional and ongoing relationship with the company's statutory Auditor, appointed by the General Shareholders' Meeting; the Board shall respect the independence thereof and ensure that the auditor is provided with all necessary information.	<a href="#">33.1</a> The Board shall establish, directly or through the Audit and Compliance Committee, an objective, professional and ongoing relationship with the <del>company's</del> <a href="#">Company's</a> <del>statutory Auditor</del> <a href="#">external auditor</a> appointed by the General Shareholders' Meeting; the Board shall respect <del>the</del> <a href="#">its</a> independence <del>thereof</del> and ensure that the auditor is provided with all necessary	The Board of Directors shall hold an annual meeting with the external auditor in order to be informed regarding the work performed and the financial position of and risks faced by the Company.

<sup>8</sup> [Recommendation 32](#)

	information.	
The relationship referred to in the preceding paragraph, as well as for the relationship with the Internal Audit Manager, shall normally be conducted through the Audit and Compliance Committee.	<a href="#">33.2</a> The relationship referred to in the preceding paragraph, as well as <del>for</del> the relationship with the Internal Audit Manager, shall normally be conducted through the Audit and Compliance Committee.	
The Board of Directors shall aim to present the financial statements to the General Shareholders' Meeting without any reservations or exceptions in the auditors' report and, in the exceptional cases in which they exist, both the Chairman of the Audit Committee as well as the auditors shall clearly explain the content and scope of said reservations or exceptions to the shareholders.	<a href="#">33.3</a> The Board of Directors shall aim to present the financial statements to the General Shareholders' Meeting without any reservations or exceptions in the auditors' report and, in the exceptional cases in which they exist, both the Chairman of the Audit <u>and Compliance</u> Committee as well as the <u>external</u> auditors shall clearly explain the content and scope of said reservations or exceptions to the shareholders.	
	<a href="#">33.4</a> <del>[The Board of Directors shall hold an annual meeting with the external auditor in order to be informed regarding the work performed and the financial position of and risks faced by the Company.]<sup>9</sup></del>	
<b>Article 8. Specific duties relating to the securities market</b>	<del>Article 8-34. Specific duties relating to the securities market.</del> <u>Relations with the markets.</u>	
8.1 The Board shall directly perform, or delegate, as many duties as may be required by virtue of the status of ENDESA as company listed on a Stock Exchange.	<a href="#">34.1</a> The Board shall directly perform, or delegate, as many duties as may be required by virtue of the status of <del>ENDESA as a company listed on a Stock Exchange.</del> <u>Endesa as a listed company.</u>	
8.2 In particular, the Board shall perform the following duties relating to the securities market directly or through the Audit and Compliance Committee:  A) Monitoring the establishment of internal control mechanisms for the regular public reporting of financial information and, in general, for reporting to the financial markets, as well as for the reporting of information related to as many facts, decisions or circumstance as may be material to the listing of shares with a view to ensuring	<del><a href="#">34.2</a> 8.2 In particular, the Board</del> <u>The Board</u> shall, directly or through the Audit and Compliance Committee, <del>perform the following duties relating to the securities market:</del> <u>A) Monitoring</u> <del>monitor</del> the establishment of internal control mechanisms for the regular public reporting of financial information and, in general, for reporting to the financial markets, as well as for the reporting of information related to as many facts, decisions or circumstance as may be material to the listing of shares with a view to ensuring that, to the extent possible, the proper price is set for the	

<sup>9</sup> [Recommendation 42.2d\)](#)

that, to the extent possible, the proper price is set for the company's shares and preventing, in particular, any manipulation or abuse of insider information.	<u>Company's</u> shares, and preventing, in particular, any manipulation or abuse of insider information.	
B) Approving the Company's Conduct Regulations for Securities Markets.	<u>34.3 The Board of Directors shall approve</u> <del>B) Approving</del> the Company's Conduct Regulations for Securities Markets.	
<b>Article 20. Relations with Senior Management.</b>		
The Board may request information on the actions of Senior Management of the company and may ask for such explanations as it sees fit. Such requests shall be made by the Chairman through the Board Secretary and shall be conveyed by the Chief Executive Officer.		
<b>Article 24 Reappointment of Directors</b>	<b>Article 24 Reappointment of Directors</b>	
The Appointments and Compensation Committee shall necessarily report on the proposed reappointment of the Directors that the Board decides to present to the General Shareholders' Meeting.	<del>The Appointments and Compensation Committee shall necessarily report on the proposed reappointment of the Directors that the Board decides to present to the General Shareholders' Meeting.</del>	
<b>Article 28 Use of information and corporate assets</b>	<b>Article 28 Use of information and corporate assets</b>	
28.1 Directors may not use any nonpublic information of the company for private purposes, unless doing so would in no way harm the interests of the company or if the information is immaterial as regards transactions for the purchase or sale of the company's securities. In any event, the rules of conduct established by law and by the Company's Internal Conduct Regulations for Securities Markets must be observed.	<del>28.1 Directors may not use any nonpublic information of the company for private purposes, unless doing so would in no way harm the interests of the company or if the information is immaterial as regards transactions for the purchase or sale of the company's securities. In any event, the rules of conduct established by law and by the Company's Internal Conduct Regulations for Securities Markets must be observed.</del>	
28.2 Directors may not use the assets of the company for private purposes and may not use their position in the company to obtain a financial advantage unless sufficient consideration is paid. In the event that such consideration is waived, the financial advantage thus obtained shall be treated as indirect compensation and must be authorized by the Appointments and Compensation Committee.	<del>28.2 Directors may not use the assets of the company for private purposes and may not use their position in the company to obtain a financial advantage unless sufficient consideration is paid. In the event that such consideration is waived, the financial advantage thus obtained shall be treated as indirect compensation and must be authorized by the Appointments and Compensation Committee.</del>	
<b>Article 29. Business opportunities and conflict of</b>	<del><b>Article 29. Business opportunities and conflict of</b></del>	

interest	interest	
29.1 Directors may not use the company's name or rely on their status as directors thereof to carry out transactions on their own behalf or on behalf of persons related thereto.	<del>29.1 Directors may not use the company's name or rely on their status as directors thereof to carry out transactions on their own behalf or on behalf of persons related thereto.</del>	
29.2 Directors may not, on their own behalf or on behalf of persons related thereto, make an investment or engage in any transaction relating to the company's assets, of which the director was aware due to performance of his/her duties, when such investment or transaction would have otherwise been offered to the company, or which the company would have been interested in executing, provided the company has not previously turned down the investment or transaction, without the influence of the director.	<del>29.2 Directors may not, on their own behalf or on behalf of persons related thereto, make an investment or engage in any transaction relating to the company's assets, of which the director was aware due to performance of his/her duties, when such investment or transaction would have otherwise been offered to the company, or which the company would have been interested in executing, provided the company has not previously turned down the investment or transaction, without the influence of the director.</del>	
29.3 The directors must disclose to the Board of Directors any direct or indirect conflict of interest between them and the company. In the event of a conflict of interest, the affected director shall abstain from participating in the resolutions or decisions related to any transaction to which the conflict of interest relates.	<del>29.3 The directors must disclose to the Board of Directors any direct or indirect conflict of interest between them and the company. In the event of a conflict of interest, the affected director shall abstain from participating in the resolutions or decisions related to any transaction to which the conflict of interest relates.</del>	
29.4 In any event, any conflicts of interest affecting the directors of the company shall be reported in accordance with the law in force.	<del>29.4 In any event, any conflicts of interest affecting the directors of the company shall be reported in accordance with the law in force.</del>	
29.5 The directors must disclose any direct or indirect interest held by them or their related parties in the capital of a company engaging in activity that is identical, analogous or complementary to that constituting the corporate purpose, as well as any offices held or functions performed by them at such company, in each case, according to the law in force.	<del>29.5 The directors must disclose any direct or indirect interest held by them or their related parties in the capital of a company engaging in activity that is identical, analogous or complementary to that constituting the corporate purpose, as well as any offices held or functions performed by them at such company, in each case, according to the law in force.</del>	
Furthermore, the director shall disclose any activities performed, on their own behalf or on behalf of a third party, in companies with an identical, analogous or complementary area of activities to that constituting the company's corporate purpose. Said information shall be	<del>Furthermore, the director shall disclose any activities performed, on their own behalf or on behalf of a third party, in companies with an identical, analogous or complementary area of activities to that constituting the company's corporate purpose. Said information shall be</del>	

disclosed in the notes on compliance with legislation in force.	<del>disclosed in the notes on compliance with legislation in force.</del>	
29.6 For the purposes of this Article, the following shall be deemed to be persons related to directors:	<del>29.6 For the purposes of this Article, the following shall be deemed to be persons related to directors:</del>	
A) The spouse of or other person related by a like relationship of affection to a director.	<del>A) The spouse of or other person related by a like relationship of affection to a director.</del>	
B) The ascendants, descendants and siblings of a director or of the spouse of a director.	<del>B) The ascendants, descendants and siblings of a director or of the spouse of a director.</del>	
C) The spouses of the ascendants, descendants and siblings of a director.	<del>C) The spouses of the ascendants, descendants and siblings of a director.</del>	
D) The companies in which a director, personally or through an intermediary, falls within any of the situations provided for in Article 42 of the Code of Commerce.	<del>D) The companies in which a director, personally or through an intermediary, falls within any of the situations provided for in Article 42 of the Code of Commerce.</del>	
29.7 Where a Director is a legal entity, the following shall be deemed to be related persons:	<del>29.7 Where a Director is a legal entity, the following shall be deemed to be related persons:</del>	
A) Shareholders that, in relation to the corporate director, fall within any of the control situations provided by law.	<del>A) Shareholders that, in relation to the corporate director, fall within any of the control situations provided by law.</del>	
B) <i>De facto</i> or <i>de iure</i> directors, liquidators and attorneys-in-fact holding general powers of attorney from the director.	<del>B) <i>De facto</i> or <i>de iure</i> directors, liquidators and attorneys-in-fact holding general powers of attorney from the director.</del>	
C) Companies forming part of the same group, and their shareholders.	<del>C) Companies forming part of the same group, and their shareholders.</del>	
D) Persons who, with respect to the representative of the director, are deemed to be persons related to directors in conformity with the provisions of the preceding paragraph.	<del>D) Persons who, with respect to the representative of the director, are deemed to be persons related to directors in conformity with the provisions of the preceding paragraph.</del>	
<b>Article 31. Liability</b>	<del><b>Article 31. Liability</b></del>	
31.1 The Directors shall be liable to the company, the shareholders and creditors of the company for any damage caused thereby by reason of acts or omissions contrary to the Law or to the Bylaws or in breach of the	<del>31.1 The Directors shall be liable to the company, the shareholders and creditors of the company for any damage caused thereby by reason of acts or omissions contrary to the Law or to the Bylaws or in breach of the</del>	

duties inherent in their office.	<del>duties inherent in their office.</del>	
31.2 Any person acting as a <i>de facto</i> director of the company shall be personally liable vis-à-vis the company, the shareholders and creditors for any damage caused thereby by reason of actions in violation of the law or the Bylaws, or in breach of the duties imposed by law on individuals who have been formally granted the status of director in accordance with law.	<del>31.2 Any person acting as a <i>de facto</i> director of the company shall be personally liable vis-à-vis the company, the shareholders and creditors for any damage caused thereby by reason of actions in violation of the law or the Bylaws, or in breach of the duties imposed by law on individuals who have been formally granted the status of director in accordance with law.</del>	
31.3 All members of the governing body that adopted the resolution or carried out the harmful action shall be jointly and severally liable, except for those members that can prove that they were not involved in the adoption or implementation thereof, were unaware of its existence, or, although aware of its existence, did everything possible to prevent the damage or, at least, expressly objected to it.	<del>31.3 All members of the governing body that adopted the resolution or carried out the harmful action shall be jointly and severally liable, except for those members that can prove that they were not involved in the adoption or implementation thereof, were unaware of its existence, or, although aware of its existence, did everything possible to prevent the damage or, at least, expressly objected to it</del>	
31.4 The adoption, authorization or ratification by the General Shareholders' Meeting of the damaging act or resolution shall under no circumstances constitute reason for release from liability.	<del>31.4 The adoption, authorization or ratification by the General Shareholders' Meeting of the damaging act or resolution shall under no circumstances constitute reason for release from liability.</del>	
<b>Article 33. Differentiation of functions.</b>	<del><b>Article 33. Differentiation of functions.</b></del>	
The Chairman of the Board and the Chief Executive Officer, as the highest authorities, shall each have individual differentiated duties as established in the Corporate Bylaws and in these Regulations.	<del>The Chairman of the Board and the Chief Executive Officer, as the highest authorities, shall each have individual differentiated duties as established in the Corporate Bylaws and in these Regulations.</del>	
<b>FINAL PROVISION</b>	<b>FINAL PROVISION</b>	
The status of Director implies the acceptance, in writing, of these Regulations and the declaration that the Director is not subject to any of the incompatibilities set forth herein. The Directors shall execute and annually renew a statement of their activities and assets which are related to the Company.	The status of Director implies the acceptance, in writing, of these Regulations and the declaration that the Director is not subject to any of the incompatibilities set forth herein. The Directors shall execute and annually renew a statement <u>of including all their activities and assets, performed or owned thereby, as well as related parties thereto, that may be relevant in relation</u> to the <del>company</del> <u>the performance of their duties.</u>	



**ENDESA, S.A.  
BOARD OF DIRECTORS REGULATIONS**

**September 18, 2015**

## **ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS**

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## **FINAL PROVISION**

## ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS

### PRELIMINARY TITLE

#### Article 1. Purpose

These Regulations set forth specific measures aimed at ensuring optimal administration of the Company with the end goal of regulating the duties, organization and operation of the Board of Directors, in accordance with law and the Corporate Bylaws.

#### Article 2. Scope of Application

2.1 These Regulations shall apply to the Board of Directors and its delegated bodies, internal committees and Directors who, as members of the Board, form part of the will of said body. The Directors shall have a duty to be apprised of, as well as to comply and enforce compliance with, these Regulations.

2.2 The Board shall adopt the necessary measures to ensure widespread dissemination of these Regulations. For these purposes, these Regulations shall be notified to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* - "CNMV"), published on the Company's website, registered with the Mercantile Registry and reported to the General Shareholders' Meeting.

#### Article 3. Interpretation

3.1 These Regulations supplement and are ancillary to the provisions established for the Board by the Corporate Bylaws.

3.2 The Board shall have the power to resolve any questions of interpretation or application hereof, in accordance with such legal and Bylaw provisions as may be applicable, as well as with the principles and recommendations set forth in good corporate governance codes.

#### Article 4. Amendments

4.1 The Board may amend these Regulations subject to the requirements set forth in this Article.

4.2 Such amendments may be proposed by the Chairman or one third of the Board members when, in their opinion, circumstances which render said amendment convenient or necessary exist. For this purpose, the proposed amendment shall be accompanied by a report providing the reasons for and scope of the amendment sought.

In such case, the Board meeting shall be called by giving individual notice, duly in advance, to each Board member, which shall be accompanied by the report justifying the proposed amendment.

4.3 Any amendment to the Regulations shall require a resolution adopted by the majority of the members of the Board.

4.4 The Board of Directors shall report on any amendments approved thereby at the next General Shareholders' Meeting.

## **TITLE I GENERAL DUTIES, POWERS AND PRINCIPLES OF ACTION OF THE BOARD OF DIRECTORS**

### **Article 5. Principles of Action**

The Board of Directors shall perform its duties with unity of purpose and independent judgment, providing equal treatment to all Company shareholders in the same situation, and shall be guided by the best interests of the Company, which shall be understood as developing a profitable business that can be sustained in the long term, promoting the viability of the Company and maximizing its financial value. In pursuing the corporate interests, the Board shall, in addition to abiding by laws and regulations, following good faith and ethical principles and observing commonly accepted customs and good practices, aim to reconcile the corporate interests with, as applicable, the legitimate interests of its employees, suppliers, clients and other interest groups that may be affected, as well as with the impact of the Company's activities on the environment and the community as a whole.

### **Article 6. General Duties and Powers of the Board of Directors**

6.1 As provided by law and the Corporate Bylaws, the Board of Directors shall be the highest governing body representing the Company.

6.2 The Board of Directors has the authority to adopt resolutions on all matters not assigned to the General Shareholders' Meeting by law, the Corporate Bylaws or the General Shareholders' Meeting Regulations.

6.3 The Board of Directors, who shall have the broadest power and authority to manage, direct, administer and represent the Company, shall, as a general rule, delegate the day-to-day management of the Company to delegated management bodies and shall focus its activity on supervising and discussing matters that are particularly important for the Company and its group of companies.

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

6.5 In particular, the Board of Directors shall be in charge of the following matters:

6.5.1 General Shareholders' Meeting:

- A. Call the General Shareholders' Meeting, establish the agenda for the meeting and draft the relevant proposed resolutions.
- B. Propose amendments to the Corporate Bylaws and the General Shareholders' Meeting Regulations to the General Shareholders' Meeting.
- C. Submit the acquisition, disposal or transfer of essential assets to another company to the General Shareholders' Meeting.
- D. Execute resolutions passed by the General Shareholders' Meeting.

6.5.2 In relation to the Company's general policies and strategies, the Board shall be responsible for the following:

- A) Approving the strategic or business plan, management objectives, annual budgets,

investment and financing policies of the Company and its group, as well as the basic lines of the general strategy.

- B) Approving the definition of the structure of the Company Group.
- C) Establishing the policy for reporting to and communicating with shareholders, the markets and public opinion, through any existing technological and communication means.
- D) Supervising commercial, industrial or financial agreements of strategic importance.
- E) Establishing the corporate governance policy for the Company and its group.
- F) Approving the corporate social responsibility policy.
- G) Setting the policy for risk control and management, including tax risk, and monitoring internal control and reporting systems.
- H) Approving both the dividend and treasury stock policies pursuant to the guidelines and limits established by the General Shareholders' Meeting.

6.5.3. In relation to management, the Board is responsible for:

- A) Establishing the general organizational principles of the Company and its group.
- B) Ensuring transparency regarding the Company's relationships with third parties, in accordance with the provisions of these Regulations.
- C) Performing the duties entrusted to the Board by the General Shareholders' Meeting, which may only be delegated if the resolution of the Shareholders' Meeting expressly so provides.
- D) Resolving on the incorporation of new companies or taking up holdings in existing companies which, due to their amount or nature, are relevant for the Company, and performing mergers, absorptions, spin-offs or concentrations in which the Company has an interest.
- E) Approving investments and divestments which, due to their amount or nature, significantly affect the net worth position or strategy of the Company or which pose a particular tax risk, unless approval thereof is entrusted to the General Shareholders' Meeting.
- F) Establishing the Company's tax strategy.
- G) Approving, following a report from the Audit and Compliance Committee, the creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the Company or its group.
- H) Establishing general rules that regulate real estate transactions not related to industrial investments and divestments, approving the most relevant transactions.
- I) Establishing general rules that regulate financial transactions, approving the most relevant transactions.

- J) Approving the assignment of rights to the tradename and trademarks.
- K) Monitoring commitments under employee welfare arrangements that entail long-term financial liabilities for the Company.
- L) Authorizing the proposed appointment of directors in the most important directly held companies, or which are stable and of particular economic importance, as well as to apprise themselves of appointments made in the most important indirectly held companies.
- M) Regulating the procurement policy for assets, works and services of the Company.

6.5.4. In relation to organization and operation, the Board is responsible for:

- A) Delegating duties to the Executive Committee, Chairman, Managing Director and, on an exceptional basis, to the Committees set forth herein.
- B) Monitoring the operation of the Executive Committee and, as the case may be, the Committees of the Board, as well as the actions of the delegated bodies.
- C) Waiving the Directors' obligations arising under the duty of loyalty in the terms provided for by law, except when the General Shareholders' Meeting has competency over said waiver.
- D) Approving, following a report from the Audit and Compliance Committee, any transactions of the Company and its group companies carried out with directors and shareholders with a significant stake, or with persons related thereto, under the terms provided for by law.
- E) Following a report from the Appointments and Compensation Committee, appointing and removing the Chairman and the Deputy Chairmen of the Board, as well as, at the Chairman's proposal and following a report from the Appointments and Compensation Committee, the Secretary and, as the case may be, the Vice Secretary of the Board.

6.5.5. As regards financial information, annual financial statements, the management report and the annual corporate governance report:

- A) The Board of Directors shall be responsible for, following a report from the Audit and Compliance Committee, approving the financial information which the Company must, due to its status as a listed company, periodically make public.
- B) Following a report from the Audit and Compliance Committee, the Board shall draw up the individual and consolidated financial statements and management reports in clear and precise terms so as to facilitate a proper understanding of their contents, and shall submit them to the General Shareholders' Meeting. The Board shall ensure that they present a true and fair view of the equity, financial position, and performance of the Company, pursuant to the provisions of the law.
- C) Before approving the formal preparation of the financial statements as required by law, all Directors shall have the necessary information for doing so and may, if appropriate, express such reservations as they deem appropriate.
- D) The Board of Directors shall approve and release an annual Corporate Governance Report in such terms as may be established by statute or regulations.

#### 6.5.6 Directors and Senior Executives:

- A) Establishing compensation and performance assessment policies for Executives that report directly to the Board of Directors or to any Director, as well as for the Internal Audit Director and any other executive deemed by the Board to be a Senior Executive ("Senior Executives").
- B) Monitoring the performance of Senior Executives, demanding explanations for their decisions and assessing their overall management.
- C) Approving regulations and procedures for the appointment and removal of Senior Executives.
- D) Following a report from the Appointments and Compensation Committee, appointing and removing Senior Executives and establishing the key terms of their contracts, including compensation.
- E) Following a report or proposal from the Appointments and Compensation Committee, making interim appointments of Directors to fill vacancies until the next General Shareholders' Meeting.
- F) Appointing and removing Directors for the Executive Committee and, as the case may be, for other Committees provided for herein. Approving the appointment and removal of the Company's managing directors following a proposal by the Chairman of the Board of Directors.
- G) Approving agreements between the Company and Board members that have been appointed as managing directors or to whom executive duties were otherwise entrusted.

#### 6.6 On an annual basis, the Board of Directors shall assess:

- A) The quality and efficiency of the operations of the Board following a report from the Appointments and Compensation Committee.
- B) The performance of their duties by the Chairman of the Board and by the Managing Director, based on the report from the Appointments and Compensation Committee.
- C) The operation and composition of its Committees and of the Executive Committee, as the case may be, in view of the report submitted thereto by said Committees.

The Board of Directors shall propose, based on the results of the assessment, an action plan to correct any identified deficiencies. The results shall be included in the meeting minutes or as an attachment thereto.

Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant.

6.7 The Board of Directors shall issue Regulations governing related party transactions, subject to the applicable legal provisions.

6.8 The Board may resolve upon the creation of Advisory Councils that, although not considered corporate bodies, study and report on such issues as the Board may deem to be of interest to the performance of its duties.

The Board shall, at the Chairman's proposal, approve the appointments of Advisory Council members who shall be renowned individuals by virtue of their professional credentials.

The Board shall also, at the Chairman's proposal, resolve upon the topics being studied by the Advisory Council members and, in particular, upon topics aimed at gaining a better understanding of the Company's environment, prospects for change in various markets, development in applied technologies or organization of companies, as well as of the integration and consolidation of the Group's companies.

6.9 The powers set forth in the preceding paragraphs relating to the duties of the Board are without limitation and are deemed to also include any other powers which, although not expressly referred to herein, relate to said duties and which should be reasonably reserved to the Board for decision or consultation purposes, whether due to their similarity or relevance to, or which can be inferred from, the powers set forth herein.

The Board of Directors may approve rules that implement and coordinate the exercise of these powers.

6.10 In the event of a duly justified emergency, and as permitted by law, delegated bodies or individuals may adopt resolutions related to the matters referred to in the preceding paragraphs of this article, which shall be ratified by the next Board of Directors meeting.

## **TITLE II COMPOSITION OF THE BOARD OF DIRECTORS**

### **Article 7. Number of Directors**

The Board of Directors shall be made up of at minimum of nine and a maximum of fifteen members.

### **Article 8. Types of Directors**

Directors shall be classified as:

- A) Executive Directors: any Director who performs management duties within the Company or its group, regardless of the Director's legal relationship with the Company.
- B) External Shareholder-Appointed Directors: any Director with a shareholding greater than or equal to that legally regarded as significant, or who has been appointed due to his status as a shareholder, even if the shareholding does not reach said amount, or who represents a shareholder meeting the aforementioned criteria.
- C) External Independent Directors: any Director who, having been appointed based on his personal and professional qualities, is able to perform his duties regardless of his relations to the Company or its group, significant shareholders or executives.
- D) Other External Directors: any Director who is not an executive director and who does not meet the requirements to be considered a shareholder-appointed or independent director.

### **TITLE III APPOINTMENT AND REMOVAL OF DIRECTORS**

#### **Article 9. Selection, Appointment, Ratification and Re-Election of Directors**

9.1 The Board of Directors, at the proposal of the Appointments and Compensation Committee, shall approve a specific and attestable policy for selecting candidates for the office of Director, ensuring that the proposed appointments of directors are based on a previous analysis of the needs of the Board, and which favors a diversity of knowledge, experiences and gender.

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

9.3 The General Shareholders' Meeting or, as the case may be, the Board shall be responsible for appointing Board members in accordance with the provisions set forth in the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*) and the Corporate Bylaws. The position of Director may be renounced, revoked and reappointed.

9.4 Proposals for the appointment, ratification or re-election of Directors made by the Board of Directors to the General Shareholders' Meeting, or as approved by the Board of Directors itself in the case of proposals for appointment, shall be made at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors, and following a report by said Committee for all other types of Directors.

#### **Article 10. Incompatibilities**

Those persons subject to the prohibitions provided by the Spanish Capital Corporations Law and other applicable legal provisions may not be appointed as directors.

Furthermore, any individual sitting on more than four boards of directors of listed companies, or eight organizations in total (including listed and unlisted companies), may not be appointed as a Director of the Company. Membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the Director sits shall not count when said board is that of a company that may submit abbreviated balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.

#### **Article 11. Term of Office**

The Directors shall serve in their positions for a term of four years and may be re-elected for periods of the same duration.

#### **Article 12. Removal and Resignation of Directors**

12.1 Directors shall cease to hold office upon expiration of the term of office for which they were appointed, as well as in all other applicable circumstances in accordance with the law, the Corporate Bylaws and these Regulations.

12.2 By proposal or report of the Appointments and Compensation Committee, depending on whether the relevant officer is an Independent Director or Director belonging to another category, respectively, Directors shall tender their resignation to the Board and formally cease to hold office:

- A) Their continued membership on the Board of Directors could cause damage to the value or reputation of the Company;
- B) they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations;
- C) in the case of independent directors, there is just cause as determined by the Board of Directors following a report from the Appointments and Compensation Committee; or if any shareholder represented by the Director fully transfers or decreases his shareholding. In this last case, the number of shareholder-appointed directors shall be reduced accordingly.

12.3 Directors shall notify the Company, via the Board Secretary, of all criminal cases and proceedings in which they are defendants, as well as of all developments in said cases and proceedings.

12.4 In the event that a Director ceases in his position, whether due to resignation or otherwise, he shall explain the reasons in a letter, which shall be sent to all Board members prior to the end of his mandate. Without prejudice to said removal being reported as a material fact, the reasons for such removal shall be provided in the Annual Corporate Governance Report.

#### **TITLE IV OFFICES OF THE BOARD**

##### **Article 13. Chairman and Vice Chairmen of the Board of Directors**

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

13.2 The appointment of the Chairman, taking into account his status as an Executive Director, shall require the favorable vote of at least two thirds of the members of the Board.

13.3 The Chairman shall, as the case may be, chair the Executive Committee, have permanent authority to represent the Committee in accordance with the Corporate Bylaws, and, in any voting, shall have the casting vote.

13.4 The Chairman shall be responsible for the effective operation of the Board and, thus, shall: ensure that the directors receive sufficient information duly in advance; organize the debate and promote the active participation of the directors during the Board meetings, protecting their freedom to adopt positions and express their opinions; ensure that enough time is spent discussing strategic matters; organize and coordinate with the Chairmen of the Committees regarding the annual assessment of the Board, its Commissions and Committees, and of the Managing Directors; resolve upon and review programs aimed at providing each director with up-to-date information, as required by the circumstances.

13.5 The Chairman of the Board may delegate all or some of his powers to other members of the Board of the Company unless said delegation is expressly prohibited by law.

13.6 The Board may choose one or more Deputy Chairmen following a report from the Appointments and Compensation Committee. The oldest Vice Chairman, if there is more than one, shall substitute the Chairman in all his powers in the event of a vacancy, or of his absence or illness.

13.7 If there are no Deputy Chairmen, the Coordinating Director shall perform the duties of the Chairman of the Board and the oldest Director shall exercise all other powers of the Chairman.

#### **Article 14. Coordinating Director**

The Board of Directors shall, taking into account the Chairman's status as an Executive Director, with all executive directors abstaining and following a report from the Appointments and Compensation Committee, appoint a Coordinating Director from among the independent directors, who shall be specifically empowered to:

- A) call a meeting of the Board of Director or include new items on the agenda for any Board meeting which has already been called;
- B) coordinate and call meetings of non-executive directors;
- C) lead the regular assessment of the Chairman of the Board of Directors.
- D) preside over the Board of Directors in the absence of the Chairman and Deputy Chairmen, if any, under the terms of the preceding article;
- E) voice the concerns of the non-executive directors;
- F) maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the Company's corporate governance; and
- G) coordinate the succession plan for the Chairman of the Board of Directors.

#### **Article 15. Managing Director**

15.1 The Board shall appoint a Managing Director, who shall be responsible for managing the Company in accordance with the powers delegated by the Board of Directors.

15.2 The Managing Director shall, as the highest responsible person for the management of the Company, be in charge of managing all of the Company's services and shall lead Senior Management.

15.3 The Managing Director shall also be responsible for implementing the Company's general strategy and lines of business, as well as for overseeing and monitoring relations between the Company and its investees.

15.4 If the position of Managing Director is vacant, or in the event of the absence or illness of the Managing Director, the duties and responsibilities thereof shall be temporarily assumed by the Chairman who shall agree with the required corporate bodies, as an emergency procedure, to delegate those duties and responsibilities to a Director or to such members of Senior Management as the Chairman sees fit.

## **Article 16. Secretary and Vice Secretary of the Board of Directors**

16.1 Following a report from the Appointments and Compensation Committee, the Board in full shall, at the Chairman's proposal, appoint a Secretary and, as the case may be, a Vice Secretary. They shall have a Law degree.

16.2 The Vice Secretary shall substitute the Secretary in the event of a vacancy or absence. If neither the Secretary nor the Vice Secretary is in attendance, the youngest Director attending the meeting shall substitute them.

16.3 In addition to those duties designated by law and the Corporate Bylaws, the Board Secretary shall also have the following duties:

- A) To keep custody of the corporate documents, duly record the proceedings of meetings in the minutes and certify the resolutions passed by the corporate bodies.
- B) To generally act as a channel between the Company and the Directors in all matters relating to the operation of the Board, in accordance with the Chairman's instructions.
- C) To deal with all requests from the Directors regarding information on and documentation of matters that fall under the competence of the Board.
- D) To assist the Chairman to ensure Directors receive relevant information for the performance of their duties with sufficient notice and in the proper format.
- E) To ensure compliance with corporate governance principles and rules and with the provisions of the Company's Bylaws and Regulations and, in particular, to ensure that the Board's actions:
  - 1. Formally and materially adhere to the law.
  - 2. Adhere to the Corporate Bylaws, Regulations and other internal regulations.
  - 3. Take into account corporate governance guidelines set forth in the Corporate Governance Code for listed companies issued by the CNMV, applicable to the Company.

Notwithstanding the requirement to report to the Board Chairman, the Secretary has the right to act independently to professionally perform the duties set forth in the preceding paragraphs.

16.4 The Secretary, who shall serve as such for the various corporate bodies, may also hold office as legal counsel to the corporate bodies and as General Secretary, for which office the Secretary shall report to the Managing Director, assisting with the integration, coordination and consolidation of the Company and its lines of business.

## **TITLE V OPERATION OF THE BOARD OF DIRECTORS**

### **Article 17. Meetings**

17.1 The Board shall meet at least ten times per year, with at least one session during each calendar quarter, following a schedule that shall be established at the beginning of each fiscal year. The schedule may be amended by resolution of the Board or by decision of the Chairman, who shall provide the other directors notice of said amendment duly in advance.

17.2 General matters relating to the affairs of the Company and items on the agenda shall be dealt with at the regular Board Meetings. At these regular meetings, the Board shall receive information on, with a view to addressing such issues, the most significant business management matters, as well as on any situations foreseeably critical to the Company and on any actions proposed by Senior Management.

17.3 Board Meetings shall normally be held at the registered office of the Company, but may be held at such other place as directed by the Chairman and stated in the meeting notice, in accordance with the provisions of the Company's Bylaws.

17.4 Board meetings may be held in one or more locations simultaneously provided there is interactivity and intercommunication, in real time, by means of audiovisual or telephone systems, thereby guaranteeing simultaneity of developments. In such case, the meeting notice shall indicate the connection system and, as the case may be, the locations where the technical means necessary to attend and participate at the Meeting are available. Resolutions shall be deemed to have been adopted in the place where the Chairman is located.

#### **Article 18. Meeting Notices**

18.1 The Chairman shall call the Board to meet based on the meeting schedule and, in any case, may convene the Board as many times as deemed appropriate, as well as when requested by at least two Directors or, if any, by the Coordinating Director.

18.2 The call to meeting of the Board shall be made with the required notice, at least 48 hours before the date set for the meeting, via post, e-mail or any other means of distance communication, to each of the directors and shall include the agenda, clearly identifying the items on which the Board of Directors shall make a decision or adopt a resolution so that the directors may study or gather, in advance, the information required to make such decisions.

18.3 The Chairman may, for emergency reasons, call a Board Meeting by any of these means, as well as by telephone, without giving the stipulated minimum prior notice. A majority of those in attendance shall verify the existence of the emergency before the Meeting begins.

#### **Article 19. Agenda**

The agenda for all Board meetings shall be set by the Chairman, and in any case shall include those items as requested by the Coordinating Director. Furthermore, each director may individually propose other agenda items not initially included, provided the request is made at least two days before the relevant Board meeting is held.

The prior and express consent of a majority of the Directors in attendance shall be required, and duly recorded in the minutes, if once the meeting is already in session, the Chairman wishes, on an exceptional and emergency basis, to propose decisions or resolutions that were not listed on the agenda to the Board of Directors.

#### **Article 20. Assembly, Proxies and Adoption of Resolutions**

20.1 The Board of Directors shall be validly assembled when a majority of the Members are in attendance at the meeting, in person or by proxy.

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

20.3 Resolutions shall be adopted with the favorable vote of the absolute majority of the Directors attending the meeting, in person or by proxy. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.

20.4 Resolutions may be adopted in writing in lieu of a meeting, subject to compliance with the requirements set forth in commercial legislation.

## **TITLE VI COMMITTEES OF THE BOARD OF DIRECTORS**

### **Article 21. Executive Committee and Committees of the Board of Directors**

21.1 According to the provisions of the Corporate Bylaws, the Board of Directors shall establish an Audit and Compliance Committee and an Appointments and Compensation Committee and may, if deemed appropriate, establish an Executive Committee.

Both of the Committees of the Board of Directors shall have a duty to analyze and make proposals and, as the case may be, decisions regarding such matters as determined by these Regulations or as otherwise entrusted thereto by the Board.

21.2 As part of its organizational powers and in order to best perform its duties, the Board of Directors may create other Committees and decide on their powers and composition.

### **Article 22. Executive Committee**

22.1 The Executive Committee, if any, shall consist of a minimum of five and a maximum of seven Directors, including the Chairman and the Managing Director.

22.2 The Chairman of the Board of Directors shall chair the Executive Committee and the Secretary of the Board shall also act as Secretary for the Executive Committee. These positions shall be substituted in accordance with the regime set forth for the Board of Directors.

22.3 The composition of the Executive Committee shall reasonably reflect the structure of the Board.

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

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

22.6 Executive Committee resolutions related to matters for which the Board has delegated powers thereto shall be binding as of the date they are adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions of the Executive Committee shall be submitted to the Board for subsequent ratification.

22.7 The Secretary of the Board, who shall also serve as the Executive Committee Secretary, shall draft minutes for the resolutions adopted, notifying the Board thereof. The minutes shall be made available to all members of the Board of Directors.

### **Article 23. Audit and Compliance Committee**

23.1 The Audit and Compliance Committee shall be comprised of a minimum of three and a maximum of six members of the Board of Directors, appointed at the proposal of the Appointments and Compensation Committee and with the favorable vote of the majority of the Board itself. The Committee shall be exclusively comprised of non-executive directors, at least two of which shall be independent directors.

The Board of Directors shall strive to appoint all members of the Audit and Compliance Committee, especially its Chairman, bearing in mind their knowledge and experience in accounting, auditing or risk management.

The Chairman of the Audit and Compliance Committee shall be appointed by the Board of Directors from among the independent directors sitting on the Committee, with the favorable vote of the majority of the Board itself. The Chairman shall be replaced every four years but may be re-elected one year after his removal has lapsed. In the Chairman's absence, the Independent Director with the highest seniority on the Committee or, failing this, the oldest Independent Director on the Committee, shall act as Chairman.

23.2 The Audit and Compliance Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered address or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

23.3 Resolutions shall be passed by a the favorable vote of a majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.

23.4 The Audit and Compliance Committee may seek external advice as deemed necessary thereby for the performance of its duties.

23.5 The Secretary of the Committee shall also be the Secretary of the Board of Directors and shall draft minutes for the resolutions passed, of which the Board shall be notified. The minutes shall be made available to all members of the Board of Directors.

23.6 The primary duty of this Committee shall be to promote good corporate governance and ensure the transparency of all of the Company's actions, in the economic and financial areas, as well as of all external audits, compliance actions and internal audits and, in any case, it shall be entrusted with the following duties:

- A) To notify the General Shareholders' Meeting regarding matters arising within the scope of the Committee's competencies.

- B) To monitor the effectiveness of the Company's internal controls and risk management systems, including as regards tax risks, as well as to discuss any significant weaknesses in the internal control system detected during the audit with external auditors.
- C) To supervise the preparation and presentation of all required financial information.
- D) To supervise internal audits, which entails, *inter alia*, the following duties:
  - 1. To strive for the independence and efficiency of the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan to ensure the activity is primarily focused on relevant risks for the Company; receive regular information on its activities and, in any case, receive a final report for each fiscal year; and verify that Senior Management takes into consideration the conclusions and recommendations of its reports.
  - 2. To establish and monitor a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously, any potentially important irregularities, in particular financial and accounting irregularities, observed from within the Company.
- E) To make proposals to the Board for the selection, re-election and substitution of the external auditor, as well as regards the conditions for contracting said auditor.
- F) To regularly receive information from the external auditor regarding the audit plan and the results of the execution thereof.
- G) To ensure the independence of the external auditor and, for such purpose:
  - 1. Ensure that the quality of services provided by, and the independence of, the external auditor is not compromised by the compensation provided thereto and develop the relevant relationships with the external auditor in order to receive information on all matters which may place their independence at risk, to be examined by the Committee, as well as on any other matters related to the auditing of the accounts, including all other communications as provided by accounting and auditing legislation and regulations. In any event, it shall receive an annual statement from the external auditors on their independence in relation to the Company or any of its directly or indirectly related entities, as well as information on additional services of any nature that were provided, including the applicable fees received from such entities by either the external auditor or other persons or entities related thereto, as set forth in applicable legislation on the auditing of accounts.
  - 2. The Audit and Compliance Committee shall issue a report, on an annual basis, expressing an opinion on the independence of the auditors or auditing firms before the auditors' report is published. This report shall, in any case, include a valuation of the additional services referred to in the preceding paragraph, accounted for both individually and collectively, which were provided apart from the statutory auditing and in relation to independence requirements or auditing regulations.

The provisions set forth herein above shall be interpreted notwithstanding any statutory audit regulations.

3. The Audit and Compliance Committee shall ensure that:
    - i) The Company reports the change of external auditor as a material fact to the Spanish Securities Market Commission (CNMV), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.
    - ii) The Company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules established in order to ensure the independence of the auditors.
  4. If the external auditor resigns, the Audit and Compliance Committee shall consider the circumstances that led to said resignation.
- H) To encourage that the group's external auditor to accept responsibility for auditing all companies within the group.
- I) To remain apprised of any transactions proposed by the Company that would implement structural and corporate changes in order to analyze such transactions and report to the Board of Directors regarding the financial terms and accounting effects thereof and, in particular, as the case may be, regarding the proposed exchange ratio.
- J) To communicate proposed amendments to the Company's Code of Ethics and monitor compliance therewith.
- K) To monitor the communications strategy and relationships with shareholders and investors, including small and medium shareholders.
- L) To monitor compliance with the Company's corporate governance rules and regularly assess whether the corporate governance system is appropriate with a view to ensuring that its objective of promoting corporate interests is met and taking into account, as applicable, the legitimate interests of the remaining interest groups.
- M) To review the Company's corporate social responsibility policy, ensuring it is aimed at creating value.
- N) To monitor the corporate social responsibility strategy and practices and assess compliance therewith.
- O) To monitor and assess the engagement processes for different interest groups.
- P) To assess all aspects related to the Company's non-financial risks -including operating, technological, legal, social, environmental, political and reputational risks.
- Q) To coordinate the process for reporting non-financial and diversity information in accordance with the applicable regulations and international benchmarks.

These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors.

23.7 The Audit and Compliance Committee may call a meeting with any employee or executive of the Company, including to require that they appear without the attendance of

any other executives. This duty shall be exercised through the Secretary of the Board of Directors.

23.8 The Audit and Compliance Committee shall notify the Board before it passes any resolution on the following matters:

- A) The financial information that, due to its status as a listed company, the Company shall periodically make public. The creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the group.
- B) Related party transactions, in the terms governed by the Board of Directors.

#### **Article 24. Appointments and Compensation Committee**

24.1 The Appointments and Compensation Committee shall be comprised of a minimum of three and a maximum of six Non-Executive Directors from the Board of Directors, appointed with the favorable vote of the majority of the Board itself, at least two of whom shall be Independent Directors. The Board of Directors shall aim to appoint members to the Appointments and Compensation Committee based on their knowledge, skills and experience.

24.2 The Chairman of the Appointments and Compensation Committee shall be appointed by the Board of Directors, by a favorable vote of the majority thereof, from among the Independent Directors on the Committee. In the Chairman's absence, the Independent Director with the most seniority on the Committee or, failing this, the oldest Independent Director on the Committee, shall act as the Chairman.

24.3 The Appointments and Compensation Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered address or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

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

24.5 The Appointments and Compensation Committee may seek external advice when it deems necessary for the performance of its duties.

24.6 The Secretary of the Board shall serve as the Secretary of the Committee and shall draft minutes for all resolutions passed, of which the Board shall be notified. The minutes shall be made available to all members of the Board of Directors.

24.7 The Appointments and Compensation Committee may call a meeting with any employee or executive of the Company. This power shall be exercised through the Secretary of the Board of Directors.

24.8 The Appointments and Compensation Committee shall have the following duties:

- A) To assess the skills, knowledge and experience needed on the Board of Directors. For such purpose, the Committee shall define the duties and skills that the candidates must have in order to cover each vacancy and shall consider the time and dedication required in order to properly perform their mandate, ensuring that, in particular, non-executive directors have enough time to properly perform their duties.
- B) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives.
- C) To raise all proposals for nomination of Independent Directors to the Board of Directors for their appointment by co-optation or by submission to decision of the General Shareholders' Meeting, as well as all proposals for the re-election or removal of said Directors by the General Shareholders' Meeting.
- D) To provide notification of all appointment proposals for remaining Directors for their appointment by co-optation or by submission to decision of the General Shareholders' Meeting, as well as all proposals for their re-election or removal by the General Shareholders' Meeting.
- E) To make membership proposals to the Board of Directors for each of the Committees including, if any, the Executive Committee.
- F) To report on proposals for the appointment or removal of Endesa's Senior Executives together with the key terms of their contracts, including compensation.
- G) To propose the adoption of compensation schemes for Senior Management that take into account the profits of the companies. Likewise, it shall apprise itself of and assess the Company's policy on executive positions, particularly in the areas of training, promotion and selection.
- H) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Appointments and Compensation Committee.
- I) To assess and organize the succession of the Chairman of the Board of Directors and of the Company's Managing Director and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.
- J) To propose the Directors' Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring compliance therewith.
- K) To verify information regarding compensation of Directors and Senior Executives provided in various corporate documents, including the annual report on director compensation.

These duties shall be deemed to be without limitation and notwithstanding such other duties as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters for which it is specifically responsible.

The Appointments and Compensation Committee shall consult with the Company's Chairman and Managing Director, especially on matters regarding Executive Directors and Senior Executives. Any Director may request that the Appointments and Compensation Committee take into consideration, if deemed suitable, potential candidates to fill vacancies in the position of Director.

## **TITLE VII RIGHTS AND DUTIES OF DIRECTORS**

### **Article 25. Duty of Due Diligence**

25.1 Directors shall carry out their position and perform the duties imposed thereon by law, the Corporate Bylaws and these Regulations with the diligence of a prudent businessman, taking into account the nature of the position and duties attributed to the Director.

25.2 Directors shall have the necessary dedication and shall adopt those measures necessary for the proper management and control of the Company.

25.3 In performing their duties, the Directors have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, and shall properly prepare all meetings of the Board and of any corporate body of which they are a member.

25.4 Furthermore, Directors shall attend the meetings of all corporate bodies on which they sit and shall actively participate in their debates with a view to effectively contributing to the decision-making process. If a Director is unable, for just cause, to attend a meeting to which he has been called he shall provide instructions to the Director, if any, representing him.

25.5 The Company may purchase an insurance policy to cover the civil liability of Directors and Executives arising in the performance of their duties, except as regards actions that are uninsurable under Spanish law.

### **Article 26. Duty of Loyalty**

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

26.2 The Directors shall, by virtue of their office, be required, in particular, to:

- A) Refrain from exercising their powers for purposes other than those for which they were granted.
- B) Perform their duties under the principle of personal responsibility with freedom of expression or judgment and independence as regards the instructions of, or relations with, third parties.
- C) Comply with general principles and rules regarding behavior as set forth in the Company's Code of Ethics.

## **Article 27. Duty of Confidentiality**

27.1 The Directors, even after ceasing to perform their duties, shall keep all information, data, reports and records to which they had access in carrying out their position confidential, even when they have ceased to hold said office, except in such cases as required or permitted by law.

27.2 Where the Director is a legal entity, the representative thereof shall be bound by the duty of confidentiality.

## **Article 28. Conflicts of Interest**

28.1 The Directors shall establish necessary measures to prevent their interests, whether for themselves or on behalf of third parties, from coming into conflict with corporate interests and their duties to the Company.

28.2 In particular, the duty to avoid conflicts of interest requires directors to abstain from:

- A) Carrying out transactions with the Company, except as related to ordinary transactions, which are made under standard conditions for all clients and are immaterial, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.
- B) Using the Company's name or invoking their condition as a director thereof to unduly influence private transactions.
- C) Using corporate assets, including the Company's confidential information, for private purposes.
- D) Taking advantage of the Company's business opportunities.
- E) Obtaining advantages or compensation from third parties other than the Company and its group for performing their duties, excluding as minor hospitality.
- F) Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.

The provisions set forth in this section shall also apply when the beneficiary of the restricted actions or activities is related to the Director.

The waiver of the obligations set forth in this section, as the case may be, shall require approval of the Board of Directors or of the General Shareholders' Meeting, in accordance with the provisions of law and all other internal regulations of the Company.

28.3 The Directors shall disclose to the Board of Directors, via the Board Secretary, any direct or indirect conflict of interest between them and the Company. The Directors shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person has a direct or indirect conflict of interest. Those resolutions or decisions which affect the Directors in their condition as administrators, including as regards appointment and removal from offices on the Board of Directors, its Committees and the Executive Committee, or other analogous, shall not be covered by the aforesaid requirement to abstain.

28.4 In any event, any conflicts of interest affecting the Directors of the Company shall be reported in accordance with the law in force.

## **TITLE VIII DIRECTORS' RIGHT TO INFORMATION**

### **Article 29. Right to Advising and Information**

29.1 The Directors, as required to perform their duties, have access to all of the Company's services and have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, as well as any advising required in relation to any matter. The right to information shall also cover investees and the request shall be made by the Chairman through the Board Secretary and conveyed by the Managing Director.

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

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

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

29.4 The Company shall establish an induction program which shall quickly provide new Directors with sufficient knowledge of the Company, as well as of its rules of corporate governance. In addition, it shall also offer Directors knowledge update programs when circumstances so advise.

## **TITLE IX DIRECTORS' COMPENSATION**

### **Article 30. Directors' Compensation**

30.1 Directors shall be entitled to the following compensation based on their condition as such: a monthly fixed salary and attendance allowances for each meeting of the governing bodies of the Company and its committees.

Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and shall remain in effect until it resolves upon an amendment thereof.

The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Notwithstanding the above, the Directors, regardless of their category, may waive their right to receive compensation as a fixed monthly salary and/or allowances for attendance at meetings of the Board of Directors, the Executive Committee and/or other Committees.

30.2 The amount of the attendance allowances shall not exceed the monthly fixed salary amount as determined in accordance with the above paragraphs. The Board of Directors may, within such limit, determine the amount of the allowances.

30.3 The compensation set forth in the preceding sections, applicable to members of the Board of Directors, shall be compatible with all other compensation, indemnities, social security contributions or any other professional or labor compensation items to which the Directors may be entitled by way of any other executive or advisory duties they may perform for the Company which are separate from the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.

30.4 Non-Executive Directors shall receive no compensation other than that necessary to remunerate their dedication without compromising their independence, including group and civil liability insurance policies, as related to their actions as Directors.

30.5 When a member of the Board of Directors is appointed as Managing Director or is otherwise granted executive powers, an agreement shall be executed between said individual and the Company, which shall be previously approved by the Board of Directors under the terms provided by law.

Fixed compensation amounts, applicability of variable compensation, and compensation of the Chairman and the Managing Director under their specific arrangements shall be proposed to the Board by the Appointments and Compensation Committee, and shall be subject to the obligation of transparency.

30.6 The Board of Directors shall, at the proposal of the Appointments and Compensation Committee, approve an annual report on Director compensation. This report shall be made available to the shareholders.

Furthermore, the Board of Directors shall, at least every three years, propose the approval of a Director's Compensation Policy to the General Shareholders' Meeting.

## **TITLE X RELATIONSHIPS OF THE BOARD OF DIRECTORS**

### **Article 31. General Relationships with Shareholders and Investors**

31.1 The Board shall establish suitable mechanisms to ensure it is apprised of any proposals that, as the case may be, shareholders may make in relation to the management of the Company.

31.2 The Board shall monitor any information systems established by the Company for the various groups of shareholders and which may not accord any privilege to shareholders in identical circumstances.

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

31.4 The Company shall maintain a corporate website to provide information, at a minimum, as required by law, to shareholders and investors. The Board may delegate the duty to maintain the website up to date and ensure the adequacy of the content thereof to the Board Secretary.

### **Article 32. Relationships with the General Shareholders' Meeting**

32.1 The Board shall encourage the participation of shareholders at the General Shareholders' Meeting, providing all required information, in accordance with the General Shareholders' Meeting Regulations.

32.2 The Board shall adopt such measures as may be appropriate to facilitate performance by the General Shareholders' Meeting of the duties assigned thereto pursuant to law, the Corporate Bylaws and the General Shareholders' Meeting Regulations.

### **Article 33. Relationships with External Auditors**

33.1 The Board shall establish, directly or through the Audit and Compliance Committee, an objective, professional and ongoing relationship with the Company's external auditor, appointed by the General Shareholders' Meeting, showing respect for the auditor's independence and ensuring that the auditor is provided with all necessary information.

33.2 The relationship referred to in the preceding paragraph, as well as the relationship with the Internal Audit Manager, shall normally be conducted through the Audit and Compliance Committee.

33.3 The Board of Directors shall aim to present the financial statements to the General Shareholders' Meeting without any reservations or exceptions in the auditors' report and, in the exceptional cases in which they exist, both the Chairman of the Audit and Compliance Committee as well as the external auditors shall clearly explain the content and scope of said reservations or exceptions to the shareholders.

33.4 The Board of Directors shall hold an annual meeting with the external auditor in order to be informed regarding the work performed and the financial position of and risks faced by the Company.

### **Article 34. Relationships with Securities Markets**

34.1 The Board shall directly perform, or delegate, as many duties as may be required by virtue of Endesa's status as a listed company.

34.2 The Board, directly or through the Audit and Compliance Committee, shall monitor the establishment of internal control mechanisms for the regular public reporting of financial information and, in general, for reporting to the financial markets, as well as for the reporting of information related to as many facts, decisions or circumstance as may be material to the listing of shares with a view to ensuring that, to the extent possible, the proper price is set for the Company's shares and preventing, in particular, any manipulation or abuse of insider information.

The Board of Directors shall approve the Company's Conduct Regulations for Securities Markets.

## FINAL PROVISION

The status of Director implies the acceptance, in writing, of these Regulations and the declaration that the Director is not subject to any of the incompatibilities set forth herein. The Directors shall execute and annually renew a declaration stating the activities performed and securities owned thereby and, where appropriate, by any persons related thereto, which may be relevant to the performance of their duties.

The Board of Directors Regulations of ENDESA, S.A. are registered in the Madrid Mercantile Registry, Volume 14779, Book 0, Folio 127, Section 8, Page M-6405, Entry 901.

The amendment approved by the Board of Directors of ENDESA, S.A. on May 10, 2010 is registered in the Madrid Mercantile Registry, Volume 26946, Book 0, Folio 24, Section 8, Page M-6405, Entry 1005.

The amended and restated text approved by the Board of Directors of ENDESA, S.A. on December 19, 2011 is registered in the Madrid Mercantile Registry, Volume 26946, Book 0, Folio 69, Section 8, Page M-6405, Entry 1035.

The amended and restated text approved by the Board of Directors of ENDESA, S.A. on September 18, 2015 is registered in the Madrid Mercantile Registry, Volume 26946, Book 0, Folio 146, Section 8, Page M-6405, Entry 1120.