

2012 Annual Corporate Governance Report





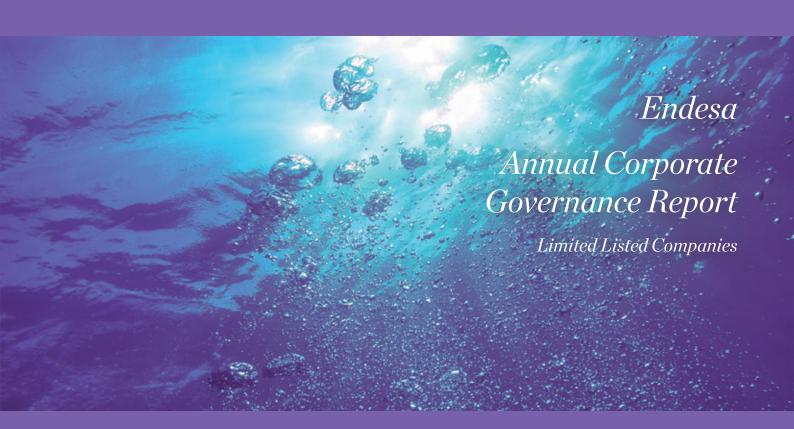
ENDESA is an

Enel Group company.

Enel is one of the largest utilities in the world. The group produces, distributes and sells sustainable energy, respecting people and the environment. Enel serves over 60 million residential and business customers in 40 countries and creates value for 1.3 million investors.







Issuer's particulars

Year ended: 31/12/2012 Company tax ID no. (C.I.F.): A-28023430 Corporate name: ENDESA, S.A.



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

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

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

No

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

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Enel Energy Europe, S.R.L.	974,717,763	0	92.063
Enel, S.P.A.	0	974,717,763	92.063

Name or corporate name of indirect shareholder	Through: Name or corporate name of indirect shareholder	Number of direct voting rights	% of total voting rights
Enel, S.P.A.	Enel Energy Europe, S.R.L.	974,717,763	92.063

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

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

Name or corporate number of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Borja Prado Eulate	4,889	0	0.000
Fulvio Conti	200	0	0.000
Andrea Brentan	100	0	0.000
Massimo Cioffi	100	0	0.000
Gianluca Comin	100	0	0.000
Alejandro Echevarría Busquet	200	0	0.000
Luigi Ferraris	100	0	0.000
Salvador Montejo Velilla	20	0	0.000
Miquel Roca Junyent	363	0	0.000
% of total voting rights held by th	0.001		

Complete the following tables on share options held by directors.

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known

by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

Type of relationship: Corporate

Brief description: Enel, S.P.A. is sole shareholder of Enel Energy Europa, S.r.l.

Related party name or corporate name: Enel Energy Europe, S.R.L., Enel, S.P.A.

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

Type of relationship: Corporate

Brief description: Endesa Brasil, S.A. (an Endesa Group subsidiary) and Enel Brasil Participacoes Ltda (an Enel Group subsidiary) hold 40% and 60% stakes in the share capital of Enel Green Power modelo I Eólica, S.A. and Enel Green Power modelo II Eólica, S.A., respectively.

Related party name or corporate name: Enel, S.P.A.

Type of relationship: Corporate

Brief description: Endesa, S.A. and Enel Investment Holding BV, hold 50% stakes in the share capital of Enel Insurance NV. Enel Insurance NV holds 100% of the share capital of Compostilla RE. S.A.

Related party name or corporate name: Enel, S.P.A.

Type of relationship: Corporate

Brief description: Endesa Ingeniería, S.L.U. (an Endesa Group subsidiary) and Enel Sole, S.r.L. (an Enel Group subsidiary) hold 50% stakes in the following temporary joint ventures: Falset, San Benito, Bollullos, Gaianes, Onil, Castro del Río, Muro de Alcoy, Fuente Álamo and Mérida.

Related party name or corporate name: Enel, S.P.A.

Type of relationship: Corporate

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

Related party name or corporate name: Enel, S.P.A.

Type of relationship: Corporate

Brief description: Endesa Generación, S.A. (an Endesa Group subsidiary) and Enel Green Power International BV (an Enel Group subsidiary), hold 40% and 60% stakes in the share capital of Enel Green Power España, respectively.

Related party name or corporate name: Enel, S.P.A.

A.6. Indicate whether any shareholders' agreements have been notified to the company pursuant to article 112 of the Securities' Market Act (Ley del Mercado de Valores). Provide a brief description and list the shareholders bound by the agreement, as applicable.

No

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

No

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

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

Yes

Name or corporate name: Enel Energy Europe, S.R.L.

Remarks: Enel, S.P.A. is sole shareholder of Enel Energy Europe.

A.8. Complete the following tables on the company's treasury shares.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.000

(*) Through:

Total 0

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

0

Gain/(loss) on treasury shares during the year (in thousands of Euros)

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

At the Ordinary General Meeting of 21 June 2010, shareholders authorised the Company and its subsidiaries to acquire treasury shares pursuant to the provisions of Article 75 and the additional provision one of the Spanish Companies Act.

I. To revoke and make void, as to the unused portion, the authorisation for the derivative acquisition of treasury

- shares, granted by the Ordinary General Shareholders' Meeting held on 30 June, 2009.
- II. To once again authorise the derivative acquisition of treasury shares, as well as the pre-emptive rights of first refusal in respect thereto, pursuant to article 75 of the Spanish Companies Act under the following conditions:
 - Acquisitions may be made via any legally accepted method, directly by ENDESA, S.A., by its Group companies or by proxy, up to the maximum legal limit.
 - b) Acquisitions shall be made at a minimum price per share of its par value and a maximum equal to their trading value plus an additional 5%.
 - c) The duration of this authorisation shall be 5 years.

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

A.10. Indicate, as applicable, any restrictions imposed by Law or the company's Bylaws on exercising voting rights, as well as any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on exercising voting rights.

No

Statutory cap on percentage of voting rights exercisable by a single shareholder

0

Indicate whether there are any restrictions included in the Bylaws on exercising voting rights.

No

Bylaw-mandated cap on percentage of voting rights exercisable by a single shareholder

0

Indicate if there are any legal restrictions on the acquisition or transfer of share capital.

No

A.11. Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Nο

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

B.1. Board of Directors

B.1.1. List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	15
Minimum number of directors	9

B.1.2. Complete the following table with board members' details.

Name or corporate number of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Borja Prado Eulate	_	Chairman	20/06/2007	09/05/2011	Vote at Shareholders' Meeting
Fulvio Conti	_	Vice Chairman	25/06/2009	30/06/2009	Vote at Shareholders' Meeting
Andrea Brentan	_	Chief Executive Officer	18/10/2007	26/06/2012	Vote at Shareholders' Meeting
Massimo Cioffi	_	Director	26/06/2012	26/06/2012	Vote at Shareholders' Meeting
Gianluca Comin	_	Director	14/09/2009	14/12/2009	Vote at Shareholders' Meeting
Alejandro Echevarría Busquet	_	Director	25/06/2009	30/06/2009	Vote at Shareholders' Meeting
Luigi Ferraris	_	Director	18/10/2007	26/06/2012	Vote at Shareholders' Meeting
Salvador Montejo Velilla	_	Secretary Director	26/06/2012	26/06/2012	Vote at Shareholders' Meeting
Miquel Roca Junyent	_	Director	25/06/2009	30/06/2009	Vote at Shareholders' Meeting
Total number of directors					9

Indicate any board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
Claudio Machetti	Proprietary	26/06/2012

B.1.3. Complete the following tables on board members and their respective categories.

Executive Directors

Name or corporate name of director	Committee proposing appointment	Post held in the company
Borja Prado Eulate	Appointments and Remuneration Committee	Chairman
Andrea Brentan	Appointments and Remuneration Committee	Chief Executive Officer
Salvador Montejo Velilla	Appointments and Remuneration Committee	General Secretary and Secretary of the Board of Directors
Total number of executive directors		3
% of the board		33.333

External Proprietary Directors

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Fulvio Conti	Appointments and Remuneration Committee	Enel, S.p.A.
Gianluca Comin	Appointments and Remuneration Committee	Enel, S.p.A.
Luigi Ferraris	Appointments and Remuneration Committee	Enel, S.p.A.
Massimo Cioffi	Appointments and Remuneration Committee	Enel, S.p.A.
Total number of proprietary	directors	4
% of the board		44.444

External Independent Directors

Name or corporate name of director: Alejandro Echevarría Busquet

Profile: Holds a degree in Business Administration from the University of Deusto, with a specialisation from the Higher School. Recipient of the Jaume de Cordelles Prize (ESADE), the Best Basque Entrepreneur Award, the Best Business Administrator Award and the "Valores de Empresa en Medios de Comunicación" (Business Values in the Media) Award.

Name or corporate name of director: Miquel Roca Junyent

Profile: Law graduate from the University of Barcelona; Lecturer in Constitutional Law at the Pompeu Fabra University in Barcelona and holder of an Honorary Doctorate from the distance learning universities of León, Gerona and Cadiz.

Total number of independent directors	2
% of the board	22.222

Other External Directors

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

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

B.1.4. Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital.

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

No

B.1.5. Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board his/her reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director.

No

B.1.6. Indicate what powers, if any, have been delegated to the Chief Executive Officer.

Name or corporate name: Andrea Brentan

Brief description: On 30 June 2009, the board of directors delegated all powers of the board of directors that could be delegated legally and statutorily to the Chief Executive Officer.

The Chief Executive Officer of Endesa, S.A., Mr. Andrea Brentan, shall exercise all powers delegated to him jointly with the Executive Committee of the board of directors.

B.1.7. List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group.

Name or corporate name	Corporate name of the group company	Post
Andrea Brentan	Enersis, S.A.	Vice Chairman

B.1.8. List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the Company.

Name or corporate name	Corporate name of the listed company	Post
Borja Prado Eulate	Mediaset España Comunicaciones, S.A.	Director
Alejandro Echevarría Busquet	Compañía Vinícola del Norte de España	Director
Alejandro Echevarría Busquet	Mediaset España Comunicaciones, S.A.	Chairman
Miquel Roca Junyent	Acs, S.A.	Director

B.1.9. Indicate and, where appropriate, explain whether the Company has established rules about the number of boards on which its directors may sit.

No

B.1.10. In relation to Recommendation 8 of the Unified Code, indicate the Company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session.

Investment and financing policy	Yes
Design of the structure of the corporate group	Yes
Corporate governance policy	Yes
Corporate social responsibility policy	Yes
The strategic or business plans, management targets and annual budgets	Yes
Remuneration and evaluation of senior officers	Yes
Risk control and management, and the periodic monitoring of internal information and control systems	Yes
Dividend policy, as well as the policies and limits applying to treasury shares	Yes

B.1.11. Complete the following tables on the aggregate remuneration paid to directors during the year.

a) In the reporting company:

Concept	In thousands of Euros
Fixed remuneration	2,138
Variable remuneration	3,317
Attendance fees	304
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	158
Total	5,917

Other benefits	In thousands of Euros
Advances	168
Loans	0
Pension funds and schemes: contributions	522
Pension funds and schemes: obligations	0
Life insurance premiums	239
Guarantees issued by the Company in favour of directors	0

b) For company directors sitting on other governing bodies and/or holding senior management posts within group companies:

Concept	In thousands of Euros
Fixed remuneration	0
Variable remuneration	0
Attendance fees	0
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	0
Total	0

Other benefits	In thousands of Euros
Advances	0
Loans	0
Pension funds and schemes: contributions	0
Pension funds and schemes: obligations	0
Life insurance premiums	0
Guarantees issued by the Company in favour of directors	0

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	4,158	0
External Proprietary	1,149	0
External Independent	610	0
Other external	0	0
Total	5,917	0

d) Remuneration as percentage of profit attributable to the parent company:

Total remuneration received by directors (in thousands of Euros)	5,917
Total remuneration received by Directors/profit attributable to parent company (%)	0.3

B.1.12. List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Post
Francisco Borja Acha Besga	General Manager Legal Advisory
Javier Uriarte Monereo	General Manager Marketing
José Damián Bogas Gálvez	General Manager Spain and Portugal
Ignacio Antoñanzas Alvear	General Manager Latin America / General Manager Chile
Amado Franco Lahoz	Chairman of the Advisory Committee for Erz- Endesa Aragón
Jaime Gros Bañeres	Regional General Manager of Aragon
Álvaro Quiralte Abelló	General Manager Energy Management
Rafael López Rueda	General Manager Systems and Telecommunications
José Luis Puche Castillejo	General Manager Organisation and Human Resources
Francisco Arteaga Alarcón	General Manager Andalusia and Extremadura
Joaquín Galindo Vélez	General Manager Generation Latin America/ Generation Chile
Héctor López Vilaseco	General Manager Strategy and Development
José María Rovira Vilanova	General Manager Fecsa-Endesa Catalonia
Pablo Casado Rebóiro	Regional General Manager Canary Islands
José Luis Marín López Otero	General Manager Endesa Red
Alfonso Arias Cañete	General Manager Nuclear Power
Alfonso López Sánchez	Chief Communications Officer
Pablo Yrarrazabal Valdés	Chairman of Enersis
Jorge Rosemblut Ratinoff	Chairman of Endesa Chile
Enrique Durand Baquerizo	General Manager Audit
Manuel Morán Casero	General Manager Generation
Francesco Buresti	General Manager Procurement
Paolo Bondi	Chief Financial Officer
Massimo Tambosco	General Manager Strategy, Regulatory Issues and Projects/Coordination with Corporate Areas

B.1.13. Identify, in aggregate terms, any indemnity or "golden parachute" clauses that exist for members of the senior management (including executive directors) of the Company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the Company or its group.

Number of beneficiaries 22

	Board of Directors	General Meeting
Body authorising clauses	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	Yes	

B.1.14. Describe the procedures for establishing remuneration for board members and the relevant provisions in the Bylaws.

Procedures for establishing board members' remuneration and relevant provisions in the Bylaws

The Board members' remuneration is proposed by the Appointments and Remuneration Committee and approved by the Board of Directors, pursuant to article 41 of the Bylaws and, in greater detail, article 32 of the Board of Directors' Regulations:

32.1. Directors' remuneration is composed of the following items: a fixed monthly allotment and profit-sharing. The overall annual remuneration of the entire Board and for the foregoing items will be one thousandth of the profits of the consolidated group, as approved by the General Shareholders' Meeting, although the Board of Directors may reduce this percentage in the fiscal years it deems appropriate. The foregoing is without prejudice to the provisions of paragraph three of this article in relation to per diem allowances.

It will be for the Board of Directors to set the distribution of the mentioned amount among the previous items and among the Directors when, as and how it freely determines.

32.2. The members of the Board of Directors will also receive per diems for attendance at each meeting of the company's management bodies and their committees. The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within this limit, establish the amount of the per diems.

32.3. The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other professional or labour earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the Company other than those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

32.4. In accordance with the provisions of article 218.2 of the Spanish Corporate Enterprises Act, the Directors may only receive remuneration for profit-sharing after the legal and statutory reserves and allocations have been covered and after the shareholders have been recognised a minimum dividend of 4%.

32.5. External Directors shall have no remuneration other than that necessary to remunerate their dedication without compromising their independence, except for group insurance, and civil liability insurance, pertaining to their actions as Directors.

32.6. In accordance with paragraph 3 of this article, the Chairman will also receive such remuneration as may be established in determining the specific legal rules governing his relationship with the Company.

Apart from what is provided in the preceding paragraphs for Directors of the Company and in accordance with paragraph 3 of this article, the Managing Director will also receive the remuneration stipulated in the contract between him and the Company, which will specify his rights and obligations during and after his relationship with the Company.

The amounts of fixed remuneration, the applicability of variable remuneration, and the remuneration of the Chairman and of the Managing Director under their specific arrangements, must be proposed by the Appointments and Remuneration Committee to the Board, and will be subject to the obligation of transparency.

32.7. The Board of Directors shall approve an annual report on the Director remuneration policy, at the proposal of the Appointments and Remuneration Committee. This report shall be made available to the shareholders.

Indicate whether the board has reserved for plenary approval the following decisions.

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.	Yes
Directors' remuneration, and, in the case of Executive Directors, the additional remuneration for their executive functions and other contract conditions.	Yes

B.1.15. Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included.

Yes

The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	Yes
Variable components	Yes
The main characteristics of pension systems, including an estimate of their amount of annual equivalent cost.	Yes
The conditions that the contracts of executive directors exercising executive functions shall respect.	Yes

B.1.16. Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. Explain the points of the report regarding the remuneration policy as approved by the board for forthcoming years, the most significant departures in those policies with respect to that applied during the year in question and a global summary of how the remuneration policy was applied during the year. Describe the role played by the Remuneration Committee and whether external consultancy services have been procured, including the identity of the external consultants.

Yes

Issues covered in the remuneration policy report

B. Management Structure of the Company

Pursuant to article 61 ter of the Securities Market Act, the Board prepares an annual report on directors' remuneration, including clear and comprehensive information on the Company's remuneration policy approved by the Board for the current year and, if applicable, for future years. It shall also include an overview of how the remuneration policy will be applied during the year and an itemised breakdown of remuneration paid to each director.

Role of the Remuneration Committee

The Appointments and Remuneration Committee is responsible for, among other things, reporting and proposing the directors' remuneration policy and individual remuneration.

In order to establish the remuneration policy, the Appointments and Remuneration Committee conducts research to guarantee corporate governance best practices. The principle of transparency shall apply to all aspects of remuneration, including compensation payments in the event of removal.

Role of the Remuneration Committee

The amount paid to directors is in keeping with amounts paid by other listed companies.

Pursuant to article 61 of the Securities Markets Act, the Appointments and Remuneration Committee prepares an annual report on directors' remuneration, including an itemised breakdown of the remuneration paid to each director.

Have external	consultancy	firms been	used?

	Identity of external consultants
Towers Watson	
Hay Group	
Sagardoy Abogados	

B.1.17. List any board members who are likewise members of the boards of directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies.

Name or corporate number of director	Name or corporate name of significant shareholder	Post
Borja Prado Eulate	Enel Energy Europe, S.R.L.	Director
Fulvio Conti	Enel Energy Europe, S.R.L.	Chairman
Fulvio Conti	Enel, S.p.A.	Chief Executive Officer and Managing Director
Andrea Brentan	Enel Energy Europe, S.R.L.	Chief Executive Officer
Andrea Brentan	Enel, S.p.A.	Head of Iberia and Latin America

Name or corporate number of director	Name or corporate name of significant shareholder	Post
Gianluca Comin	Enel, S.p.A.	Head of External Relations
Luigi Ferraris	Enel, S.p.A.	CFO
Massimo Cioffi	Enel, S.p.A.	Head of Human Resources and Organisation
Salvador Montejo Velilla	Enel Energy Europe, S.R.L.	Secretary to the Board

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

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

No

B.1.19. Indicate the procedures for appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

Appointment:

Pursuant to article 38 of the Bylaws, the General Meeting shall be responsible for both the appointment and the removal of the members of the Board of Directors.

In the event of a vacancy arising on the Board of Directors, the same shall appoint a Director until the next General Shareholders' meeting is held (articles 5 and 6 of the Board of Directors' Regulations).

Likewise, the Appointments and Remuneration Committee is vested, inter alia, with the powers and authorities of informing and proposing to the Board of Directors the appointment of Directors, either by co option or by means of a proposal to the General Shareholders' Meeting (articles 53 and 15 of the Bylaws and Board of Directors' Regulations).

Proposals for the appointment or re-election of Directors brought by the Board shall be made in respect of persons of recognised prestige who possess the adequate experience and professional knowledge for the performance of their duties and who assume a commitment of sufficient dedication for the performance of the tasks of the former. In this regard, the Regulations also guarantee that the process of filling board vacancies has no implicit bias against women candidates (article 21 of the Board of Directors' Regulations).

The Appointments and Remuneration Committee shall also evaluate the competencies, knowledge and experience necessary on the Board. Consequently, to define the functions and aptitudes necessary in the candidates to cover each vacancy, and evaluate the time and dedication required in order that they may properly perform their mandate (article 15 of the Board of Directors' Regulations).

Re-election:

At Endesa, Directors can be reappointed (article 5 of the Board of Directors' Regulations). The term of office of Directors shall be four years and they may be re-elected for periods of like duration (article 39 of the Bylaws).

Pursuant to article 24 of the Board of Directors' Regulations, the Appointments and Remuneration Committee shall necessarily report on the proposed re-election of the Directors the Board decides to present to the General Shareholders' Meeting. In this regard, the proposal for appointment or re-election of Directors brought by the Board of Directors to the General Shareholders' Meeting shall be approved by the Board of Directors at the proposal of the Appointments and Remuneration Committee, in the case of Independent Directors, and following a report by said Committee in the case of the remaining Directors (article 21 of the Board of Directors' Regulations).

Appraisal:

Pursuant to article 6.5 of the Board of Directors' Regulations, on an annual basis, the Board shall evaluate the quality and efficiency of the functioning of the Board and the performance of their duties by the Chairman of the Board and the CEO, based on a report presented by the Appointments and Remuneration Committee.

Also, the Chairman shall be responsible for the efficient functioning of the Board and, therefore shall organise and coordinate with the chairmen of the relevant Committees the period evaluation of the Board (article 34.4 of the Board of Directors' Regulations).

Removal:

As noted above, the office of Director is waivable, revocable and reappointable (article 5 of the Board of Directors' Regulations) and the term of office of Directors shall be four years (article 39 of the Bylaws).

In this regard, article 25 of the Board of Directors' Regulations states that Directors shall cease in their position when the period for which they were appointed has transpired, as well as in all other applicable circumstances in accordance with the Law and Endesa's internal regulations. Pursuant to article 38 of the Bylaws the General Meeting shall be responsible for the removal of members of the Board of Directors.

Directors must tender their resignation when:

- A) their remaining on the Board of Directors may impair the credit and reputation of the Company, or
- B) they are subject to any of the cases of incompatibility or prohibition provided by law and when the Board, following a report by the Appointments and Remuneration Committee,

resolves that the Director has seriously violated his or her obligations.

Also, when due to any cause the removal of a Director takes place, the latter may not render services at another competing entity during a period of two years, unless the Board exempts him or her from this obligation or shortens the duration of the aforesaid prohibition.

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

B.1.20. Indicate the cases in which directors must resign.

Directors must resign in the events described in article 25.2 of the Board of Directors' Regulations. These are when:

- A) their remaining on the Board of Directors may impair the credit and reputation of the Company, or
- B) they are subject to any of the cases of incompatibility or prohibition provided by law and when the Board, following a report by the Appointments and Remuneration Committee, resolves that the Director has seriously violated his or her obligations.

In the event that a Director ceases in his position, whether due to resignation or otherwise, prior to the end of his mandate he must explain the reasons in a letter to be sent to all Board members. Without prejudice to said removal being reported as a material fact, a report must be given on the reason for the removal in the Annual Corporate Governance Report (article 25.4 of the Board of Directors' Regulations).

B.1.21. Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person.

No

Indicate, and if necessary, explain whether rules have been established that enable any of the Independent Directors to convene Board meetings or include new items on the agenda, to coordinate and voice the concerns of External Directors and oversee the evaluation by the Board of Directors.

No

B.1.22. Are qualified majorities, other than those prescribed by law, required for any type of decisions?

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions.

Description of resolution:

The Board of Directors shall be validly assembled when the majority of its Members attends the meeting, in person or by proxy. Resolutions must be adopted with the favourable vote of the absolute majority of the Directors attending the meeting in person or by proxy.

Quorum	%
Majority of the members	55.55
Type of majority	%
Absolute	55.55

B.1.23. Indicate whether there are any specific requirements, apart from those relating to the Directors, to be appointed Chairman.

No

B.1.24. Indicate whether the Chairman has the casting vote.

Yes

Matters where the Chairman has the casting vote

Pursuant to article 47 of the Bylaws "The Board will deliberate on the matters contained on the agenda and also on all those matters that the Chairman or majority of the Directors present or represented, propose, although not included on the agenda. Resolutions shall be adopted by absolute majority of the Board Members present or represented, who attend the meeting. In the event there is an equal number of votes, the Chairman, or whosoever substitutes him at the meeting, will cast the decisive vote. The provisions of this section shall be applicable without prejudice to those resolutions for which a qualified majority of the Board Members is required in accordance with these Corporate Bylaws or current laws in force."

B.1.25. Indicate whether the bylaws or the regulations of the Board of Directors set any age limit for directors.

No

Age limit for Chairman	Age limit for CEO	Age limit for directors
0	0	0

B.1.26. Indicate whether the Bylaws or the regulations of the Board of Directors set a limited term of office for independent directors.

No

B.1.27. If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation.

Explanation of reasons and initiatives

There are currently no female directors at Endesa. However, Endesa does have an Equality Plan in place, reasserting its commitment to ensuring compliance with the gender equality principle, which comprises:

- Human resources policies (affirmative action: recruitment, training, remuneration, sexual harassment and genderbased discrimination).
- Work-life balance (paid leave, leave of absence, reduced/ amended working days, etc.) Of particular note are the flexible timetables (up to one hour per day) and, in some cases, the possibility of changing two shifts full working days into one shift working days.
- · Job security for pregnant employees plus maternity and paternity rights: special working hours for female employees with closed shifts.
- Protection provided to victims of domestic violence.
- Formal procedures in the event of sexual harassment and/ or gender-based discrimination.

As part of its Corporate Social Responsibility policy Endesa's recruitment policy provides for:

The inclusion of positive discrimination clauses to encourage the access of women, on conditions of equal merit, to positions where they are under-represented.

Endesa has received the "Equality in the Workplace" award from the Ministry of Health, Social Policy and Equality. This mark of excellence recognises companies for outstanding commitment to ensuring their employees are treated equally and have the same opportunities in their organisation models and other areas, such as services, products and advertising.

Endesa is one of six Ibex 35 companies to receive this award, which has been given to a total of 36 firms out of a total of 600 applications. One of the most important aspects taken into account in granting the "Equality in the Workplace" award is the balance between men and women in decision-making areas; access to positions of greater responsibility; the establishment of remuneration criteria and up-to-date professional classification that allow jobs carried out by men and women, either the same or different, to be assessed fairly.

In any event, the Appointments and Remuneration Committee ensures that recruitment procedures do not contain any implicit bias that hinders the appointment of Directors on personal grounds.

Indicate in particular whether the Appointments and Remuneration Committee has established procedures to ensure the selection processes are not subject to implicit bias that will make it difficult to select female directors, and make a conscious effort to search for female candidates who have the required profile.

Yes

Indicate the main procedures

Article 15 of the Board of Directors' Regulations stipulates that the Appointments and Remuneration Committee will be entrusted with, among other functions, the functions of reporting and proposing the appointment of the members of the Board of Directors, whether in the event of co-optation or for proposal to the General Shareholders' Meeting guaranteeing that the selection procedures do not suffer from implicit flaws which impair the selection of female Directors.

Pursuant to article 5 of the Board of Directors' Regulations, proposals for the appointment of or re-election of Directors formulated by the Board shall be made in respect of persons of recognised prestige who possess the adequate experience and professional knowledge for the performance of their duties and who assume a commitment of sufficient dedication for the performance of the tasks of the former.

B.1.28. Indicate whether there are any formal processes for granting proxies at Board meetings. If so, give brief details.

Pursuant to article 45 of the Bylaws, proxies must be granted in writing and specifically for each Board Meeting. No Board Member may hold more than three proxies, except the Chairman, to whom this limit shall not be applicable, although he may not represent the majority of the Board of Directors.

Likewise, article 11 of the Board of Directors' Regulations states that "Each Director may have another member of the

Board represent him in accordance with the provisions of the Company's Bylaws".

B.1.29. Indicate the number of Board meetings held during the year and how many times the Board has met without the Chairman's attendance.

Number of Board meetings	14
Number of Board meetings held in the absence of its chairman	0

Indicate how many meetings of the various Board committees were held during the year.

Number of meetings of the Executive or Delegated Committee	0
Number of meetings of the Audit Committee	9
Number of meetings of the Appointments and Remuneration Committee	7
Number of meetings of the Appointments Committee	0
Number of meetings of the Remuneration Committee	0

B.1.30. Indicate the number of Board meetings held during the financial year without the attendance of all members. Non-attendance will also include proxies granted without specific instructions.

Number of non-attendances by Directors during the year	0
% of non-attendances of the total votes cast during the year	0

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

Yes

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

Name	Post
Paolo Bondi	Chief Financial Officer
Andrea Brentan	Chief Executive Officer

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

There are no special mechanisms in this respect, although pursuant to the mercantile legislation currently in force and with a view to having them approved at the corresponding General Shareholders' Meeting, the Directors define the accounting policies and establish the control systems required to prepare the individual and consolidated financial statements so that they present a true and fair view of the net worth, financial position, results of operations and the funds obtained and applied by the Consolidated Group.

Furthermore, in order to verify that there are no differences between the abovementioned criteria and the policies adopted, external auditors verify the financial statements and are regularly informed of the controls and procedures defined by the Company and its subsidiaries. They work with total freedom and have access to the Audit and Compliance Committee to deliver their conclusions and recommendations, as well as to the minutes from meetings of the Board of Directors, the Executive Committee, the Audit and Compliance Committee and the Appointments and Remuneration Committee.

The External Auditor has submitted audit reports on the consolidated financial statements for the past 23 fiscal years, expressing an unqualified opinion.

B.1.33. Is the Secretary of the Board also a Director?

Yes

B.1.34. Explain the procedures for appointing and removing the Secretary of the Board, indicating whether his/her appointment and removal have been notified by the Appointments Committee and approved by the Board in plenary session.

Appointment and removal procedure

Pursuant to article 37 of the Board of Directors' Regulations, the Board, in plenary session, at the Chairman's proposal, and following a report by the Appointments and Remuneration Committee, shall appoint a Secretary, who must be a law graduate.

Does the Appointments Committee propose appointments?	Yes
Does the Appointments Committee advise on dismissals?	Yes
Do appointments have to be approved by the Board in plenary session?	Yes
Do dismissals have to be approved by the Board in plenary session?	Yes

Is the Secretary of the Board entrusted in particular with the function of overseeing corporate governance recommendations?

Yes

Remarks:

Pursuant to article 37 of the Board of Directors' Regulations the Secretary shall ensure observance of corporate governance principles and rules and the provisions of the Company's Bylaws and Regulations.

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

Pursuant to article 52 of the Bylaws, the main task of the Audit and Compliance Committee is to promote compliance with good corporate governance and ensure the transparency of all actions of the Company in the economic and financial area and external and compliance audits and internal audits. It shall liaise with external auditors or audit firms in order to receive information on all matters which may place at risk their independence, and any others related to the procedures concerning the audit of the accounts. It shall also supervise the efficiency of the Company's Internal Control System, internal auditing services and risk management systems, as well as those communications as provided by account auditing laws and technical auditing standards. The Audit and Compliance Committee shall also receive annually from the auditors or auditing companies written confirmation of their independence vis-à-vis the Company and/or related parties, as well as additional services provided; and issue annually, prior the issuance of the auditors' report, a report which will express an opinion on the independence of the auditors or auditing companies. This report must in any case pronounce on the provision of the additional services referred to in the above section.

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

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

No

Outgoing auditor	Incoming auditor

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

No

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

No

	Company	Group	Total
Amount of non-audit work (in thousands of Euros)	0	0	0
Amount of non-audit work as a % of the total amount billed by the audit firm	0	0	0

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

No

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

	Company	Group
Number of consecutive years	2	2
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	6.5	8.0

B.1.40. List any equity holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies.

B.1.41. Indicate and give details of any procedures through which Directors may receive external advice.

Yes

Details of procedure

Article 30 of the Board of Directors' Regulations governs the right to advice and information:

Directors will, whenever the performance of their functions so requires, have access to all the Company's services and may request such information and counselling as they may require on any matter. The right to information extends to investees and the request will be made by the Chairman through the Board Secretary and conveyed by the Managing Director.

The Directors will, by majority, also have the power to propose to the Board 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 aided in the discharge of their duties where it concerns specific problems of a certain importance and complexity related to the performance of their work.

The above proposal must be notified to the Company Chairman through the Board Secretary and will be conveyed by the 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 functions entrusted, that their amount

Name or corporate number of director	Company	% share	Post or duties
Borja Prado Eulate	Enel Green Power, S.p.A.	0.001	_
Borja Prado Eulate	Enel Energy Europe, S.R.L.	0.000	Director
Fulvio Conti	Enel Energy Europe, S.R.L.	0.000	Chairman
Fulvio Conti	Enel Green Power, S.p.A.	0.003	-
Fulvio Conti	Enel, S.P.A.	0.006	Chief Executive Officer and Managing Director
Andrea Brentan	Enel, S.p.A.	0.000	Head of Iberia and Latin America
Andrea Brentan	Enel Investment Holding	0.000	Director
Andrea Brentan	Enel Green Power, S.p.A.	0.000	Director
Andrea Brentan	Enel Energy Europe, S.R.L.	0.000	Chief Executive Officer
Gianluca Comin	Enel Green Power, S.p.A.	0.000	_
Gianluca Comin	Enel, S.p.A.	0.000	Head of External Relations
Luigi Ferraris	Enel Distribuzione, S.p.A.	0.000	Director
Luigi Ferraris	Enel Factor S.p.A.	0.000	Chairman
Luigi Ferraris	Enel Servizi S.R.L.	0.000	Chairman
Luigi Ferraris	Enel Investment Holding	0.000	Director
Luigi Ferraris	Enel, S.p.A.	0.000	CFO
Luigi Ferraris	Enel Green Power, S.p.A.	0.001	Chairman
Luigi Ferraris	Enel Produzione, S.p.A.	0.000	Director
Massimo Cioffi	Enel, S.p.A.	0.000	Head of Human Resources and Organisation
Salvador Montejo Velilla	Enel Energy Europe, S.r.l.	0.000	Secretary to the Board

is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by Company personnel.

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

B.1.42. Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

Yes

Details of procedure

Article 42 of the Bylaws states that: "The Directors, by virtue of their position, are obliged, in particular, to: a) Obtain the necessary information and prepare adequately the meetings of the Board of Directors and the statutory corporate bodies to which they belong. Pursuant to the above, the Company provides Directors with the information pertaining to the meeting, seven days in advance, if possible, or at least 48 hours prior to said meeting.

B.1.43. Indicate and, where appropriate, give details of whether the company has established rules obliging Directors to inform the Board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be.

Yes

Details of rules

Article 25 of the Board of Directors' Regulations stipulates that Directors shall cease in their position when the period for which they were appointed has transpired, as well as in all other applicable circumstances in accordance with the Law, the Bylaws and these Regulations.

Directors must tender their resignation in the following circumstances: they are subject to any of the cases of incompatibility or prohibition provided by law and when their remaining on the Board of Directors may impair the credit and reputation of the Company, and when the Board, following a report from the Appointments and Remuneration Committee, resolves that the Director has seriously violated his or her obligations.

B.1.44. Indicate whether any Director has notified the company that he/she has been indicted or tried for any of the offences stated in article 124 of the Public Limited Companies Act (LSA for its initials in Spanish).

No

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the Director should continue to hold office.

No

B.2. Committees of the Board of Directors

B.2.1. Give details of all the committees of the Board of Directors and their members.

Executive or Delegate Committee

Name	Post	Туре
Borja Prado Eulate	Chairman	Executive
Andrea Brentan	Member	Executive
Fulvio Conti	Member	Proprietary
Luigi Ferraris	Member	Proprietary

Audit and Compliance Committee

Name	Post	Туре
Miquel Roca Junyent	Chairman	Independent
Alejandro Echevarría Busquet	Member	Independent
Borja Prado Eulate	Member	Executive
Luigi Ferraris	Member	Proprietary

Appointments and Remuneration Committee

Name	Post	Туре
Alejandro Echevarría Busquet	Chairman	Independent
Luigi Ferraris	Member	Proprietary
Massimo Cioffi	Member	Proprietary
Miquel Roca Junyent	Member	Independent

B.2.2. Indicate whether the Audit Committee is responsible for the following.

To supervise the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles.	Yes
To regularly review internal control and risk management systems, so main risks are correctly identified, managed and notified.	Yes
To safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	Yes
To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	Yes
To submit to the Board proposals for the selection, appointment, reappointment and removal of the external auditor, and the engagement conditions.	Yes
To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.	Yes
To ensure the independence of the external auditor.	Yes
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	Yes

B.2.3. Describe the organisational and operational rules and the responsibilities attributed to each of the Board committees.

 $Committee \, name: Appointments \, and \, Remuneration \, Committee \,$

Brief description: The Appointments and Remuneration Committee is regulated by article 15 of the Board of Directors' Regulations:

15.1. The Appointments and Remuneration Committee shall be formed by a minimum of four and a maximum of six members of the Board of Directors, appointed with the favourable vote of the majority of the Board itself. Non-executive Directors must form a majority of its members. The Board of Directors shall strive to appoint the members of the Appointments and Remuneration Committee, taking into consideration their knowledge, aptitudes and experience.

15.2. The Chairman of the Appointments and Remuneration Committee shall be appointed by the Board of Directors from among the non-executive Directors, with the favourable vote of the majority of the Board itself. The Chairman must be substituted every four years and may be re-elected after one year after his vacating office has lapsed. In the Chairman's absence, the Committee member designated provisionally by the Board of Directors will substitute for him and, failing this, the oldest Committee member.

15.3. The Appointments and Remuneration Committee will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will take place at the Company's registered offices or at such other venue as may be determined by the Chairman and stated in the meeting notice. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.

15.4. Resolutions must be adopted with the favourable vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman, will have the tie-breaking vote.

15.5. The Appointments and Remuneration Committee may seek external advice, when it deems necessary for the performance of its duties.

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

15.7. The Appointments and Remuneration Committee will be entrusted with, among other functions, the functions of reporting and proposing the appointment of the members of the Board of Directors, whether in the event of co-optation or for proposal to the General Shareholders' Meeting guaranteeing that the selection procedures do not suffer from implicit flaws which impair the selection of female Directors. Furthermore, it shall report on their remuneration.

The Committee will also be entrusted with the following functions:

To evaluate the balance of skills, knowledge and experience on the Board. Consequently, to define the functions and aptitude necessary in the candidates to cover each vacancy, and evaluate the time and dedication required in order that they may properly perform their mandate.

To propose to the Board of Directors the members to form part of the Executive Committee and each one of the Committees.

To report to the Board of Directors on ENDESA Senior Management appointments and removals, and on Chief Executive appointments at Enersis, Chilectra and Endesa Chile.

To approve the remuneration of the members of Senior Management in the terms defined in the preceding section.

To decide on the adoption of remuneration arrangements for Senior Management that take into account the earnings of the companies. Also, it must ascertain and assess the Company's policy on executives, particularly in the areas of training, promotion and recruitment.

To determine the specific rules on relationships between the Chairman, and the Managing Director, and the Company.

To prepare, amend and approve the Charter Governing Senior Management.

Oversee compliance with the remuneration policy set by the company.

These duties will be deemed to be without limitation and without prejudice to 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 falling specifically within its jurisdiction.

The Appointments and Remuneration Committee shall consult the Chairman and the Managing Director of the Company, especially when dealing with matters relating to executive Directors and senior officers. Any Director may request that the Appointments and Remuneration Committee take into consideration, if deemed suitable, potential candidates to fill vacancies in the position of Director.

 $Committee \ name: Executive \ or \ Delegate \ Committee.$

Brief description: Article 13 of the Board of Directors' Regulations regulates the Executive Committee:

13.1. The Executive Committee will be composed of at least five and not more than seven Directors, including the Chairman and the Managing Director.

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

13.2. The Executive Committee has the power to adopt resolutions pursuant to the powers delegated to it by the Board.

- 13.3. The appointment of the members of the Executive Committee will require the favourable vote of at least two thirds of the members of the Board.
- 13.4. Resolutions of the Executive Committee on matters for which it has been delegated powers by the Board must be implemented as soon as they have been adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so advises, the resolutions of the Executive Committee will be submitted for subsequent ratification by the Board.
- 13.5. The Secretary of the Executive Committee, who will be the Secretary of the Board, will draw up minutes of the resolutions adopted, and apprise the Board of them in its next meeting.

Committee name: Audit and Compliance Committee.

Brief description: The Audit and Compliance Committee is regulated by article 14 of the Board of Directors' Regulations:

- 14.1. The Audit and Compliance Committee will comprise a minimum of four and a maximum of six members of the Board of Directors, appointed with the favourable vote of the majority of the Board itself. Non-executive Directors must form 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 or her knowledge and experience in the area of accounting, auditing or both.
- 14.2. The Chairman of the Audit and Compliance Committee shall be appointed by the Board of Directors from among the non-executive Directors or members who do not hold management or executive duties at the entity, nor maintain a contractual relationship other than the condition by which they are appointed, with the favourable vote of the majority of the Board itself. The Chairman must be substituted every four years and may be re-elected after one year after his vacating office has lapsed. In the Chairman's absence, the Committee member designated provisionally by the Board of Directors will substitute for him and, failing this, the oldest Committee member.
- 14.3. The Board of Directors shall strive to appoint the members of the Audit and Compliance Committee, especially its Chairman, bearing in mind their knowledge and experience in accounting, auditing or risk management.
- 14.4. The Audit and Compliance Committee will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will take place at the Company's registered offices or at such other venue as may be determined by the Chairman and stated in the meeting notice. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.
- 14.5. Resolutions must be adopted with the favourable vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman, will have the tie-breaking vote.

- 14.6. The Audit and Compliance Committee may seek external advice, when it deems necessary for the performance of its duties as well as summon any employee or officer of the Company.
- 14.7. The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions
- 14.8 The main task of the Committee is to promote good corporate governance and ensure the transparency of all actions of the Company in the economic and financial area and external and compliance audits and internal audits, and in any event it will be entrusted with the following functions:
- A) Report any matters proposed by Shareholders on matters of its competence to the General Shareholders' Meeting.
- B) Propose the auditors or audit firms to the Board of Directors who will refer this issue to the General Shareholders' Meeting, pursuant to article 58 of the Company's Bylaws.
- C) Supervise the efficiency of the Company's Internal Control System and Risk Management Systems, as well as discuss with the auditors or auditing companies the significant weaknesses of the Internal Control System detected in performing the audit.
- D) Supervise the process for preparation and presentation of regulated financial reporting.
- E) Supervise the internal auditing services, which includes, inter alia, the following duties:
- 1. 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 function; propose the budget for such service; receive periodic information on its activities; and verify that senior management takes into consideration the conclusions and recommendations of its reports.
- 2. Establish and supervise a mechanism that allows employees to communicate confidentially and, if deemed appropriate, anonymously, any potentially important irregularities, especially financial or accounting ones, observed from within the Company.
- F) Liaise with the auditors or audit firms and, in particular:
- 1. Bring before the Board the proposals relating to selection, appointment, re-election and substitution of the auditor, as well as the conditions for contracting same.
- 2. Regularly receive from the auditor information on the audit plan and the results of the execution thereof, and verify that senior management bears in mind its recommendations.
- 3. Ensure the independence of the auditor, and, for such purpose:
- i) The Audit and Compliance Committee shall receive annually from the auditors or auditing companies written con-

firmation of their independence vis-à-vis the Company and/ or entities directly or indirectly related to the Company, as well as information on the additional services of any type rendered

- ii) The Audit and Compliance Committee shall issue annually, prior to the issuance of the auditors' report, a report which will express an opinion on the independence of the auditors or auditing companies. This report must in any case pronounce on the provision of the additional services referred to in the above section.
- iii) That the Company report as a material fact to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores; CNMV) the change of auditor and accompany a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.
- iv) That it be ensured that the Company and the auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, further rules established in order to ensure the independence of the auditors;
- v) That in case of resignation of the auditor, it examine the circumstances motivating same.
- 4. In the case of groups, to favour that the group's auditor assume the responsibility for the audits of the companies forming the group.
- G) Report on proposals for amending the Company's Code of Ethics.

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

14.9. The person responsible for internal auditing shall present to the Audit and Compliance Committee its annual work plan; it shall report directly on any incidents which occur in development thereof; and it shall present at the end of each fiscal year an activities report.

14.10. The Audit Committee shall report to the Board, prior to the adoption by the latter of the pertinent decisions, on the following matters:

- A) The financial information which, due to its status as a listed company, the Company must make public periodically. The Committee shall ensure that intermediate financial statements are formulated pursuant to the same accounting criteria as the annual financial statements and, for such purpose, shall consider the appropriateness of a limited review of the auditor.
- B) The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may discredit the transparency of the group.
- C) Related-party transactions, in the terms regulated by the Board of Directors.

B.2.4. Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees.

Committee name: Appointments and Remuneration Committee

Brief description: Power to advise, propose, report and approve.

Committee name: Executive or Delegate Committee.

Brief description: Powers delegated by the Board of Directors.

Committee name: Audit and Compliance Committee.

Brief description: Power to advise, propose, report and approve.

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

Committee name: Appointments and Remuneration Committee

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

The Appointments and Remuneration Committee prepares an annual report on Directors' remuneration.

Committee name: Executive or Delegate Committee.

Brief description: The Executive Committee is regulated by the Bylaws and the Board of Directors' Regulations. On 10 May 2010 article 13 of the Board of Directors' Regulations concerning the Executive Committee was partially amended. These regulations can be consulted on the Company's website www.endesa.com.

Committee name: Audit and Compliance Committee.

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

The Audit Committee issues an annual report on the activities of the Audit and Compliance Committee and a report on the independence of the external auditor.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of Directors.

Yes

Related-Party Transactions

C.1. Indicate whether the Board plenary sessions have reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with Directors, significant shareholders or representatives on the Board, or related parties.

Yes

C.2. List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
ENEL ENERGY EUROPE, S.R.L.	ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	Contractual	Services received	188
ENEL ENERGY EUROPE, S.R.L.	BOLONIA REAL ESTATE, S.L.	Contractual	Purchase of property, plant and equipment, intangible or other assets	380
ENEL ENERGY EUROPE, S.R.L.	BOLONIA REAL ESTATE, S.L.	Contractual	Services rendered	20
ENEL ENERGY EUROPE, S.R.L.	BOLONIA REAL ESTATE, S.L.	Contractual	Services received	30
ENEL ENERGY EUROPE, S.R.L.	CARBOEX, S.A.	Contractual	Services received	490
ENEL ENERGY EUROPE, S.R.L.	CODENSA, S.A. ESP	Contractual	Services received	100
ENEL ENERGY EUROPE, S.R.L.	CODENSA, S.A. ESP	Contractual	Finance income	30
ENEL ENERGY EUROPE, S.R.L.	CODENSA, S.A. ESP	Contractual	Other income	30
ENEL ENERGY EUROPE, S.R.L.	CODENSA, S.A. ESP	Contractual	Financial expense	10
ENEL ENERGY EUROPE, S.R.L.	DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. UNIPERSONAL	Contractual	Purchase of property, plant and equipment, intangible or other assets	40
ENEL ENERGY EUROPE, S.R.L.	EDEGEL, S.A.A.	Contractual	Services received	80
ENEL ENERGY EUROPE, S.R.L.	ELECGAS, S.A.	Contractual	Services received	10
ENEL ENERGY EUROPE, S.R.L.	ELÉCTRICA CABO BLANCO, S.A.C.	Contractual	Services received	10
ENEL ENERGY EUROPE, S.R.L.	EMGESA, S.A. E.S.P.	Contractual	Services received	57
ENEL ENERGY EUROPE, S.R.L.	EMPRESA CARBONÍFERA DEL SUR, S.A.	Contractual	Services received	530
ENEL ENERGY EUROPE, S.R.L.	EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	Contractual	Services received	190
ENEL ENERGY EUROPE, S.R.L.	EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	Contractual	Services received	267
ENEL ENERGY EUROPE, S.R.L.	ENDESA CARBONO, S.L.	Contractual	Services received	640
ENEL ENERGY EUROPE, S.R.L.	ENDESA CEMSA, S.A.	Contractual	Services received	10
ENEL ENERGY EUROPE, S.R.L.	ENDESA COSTANERA, S.A.	Contractual	Services received	70
ENEL ENERGY EUROPE, S.R.L.	ENDESA DESARROLLO, S.L.U.	Contractual	Services received	70
ENEL ENERGY EUROPE, S.R.L.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services rendered	3,010
ENEL ENERGY EUROPE, S.R.L.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Purchase of property, plant and equipment, intangible or other assets	32,150
ENEL ENERGY EUROPE, S.R.L.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services received	65,230
ENEL ENERGY EUROPE, S.R.L.	ENDESA ENERGÍA, S.A.	Contractual	Purchase of property, plant and equipment, intangible or other assets	31,810
ENEL ENERGY EUROPE, S.R.L.	ENDESA ENERGÍA, S.A.	Contractual	Services received	27,150
ENEL ENERGY EUROPE, S.R.L.	ENDESA FINANCIACIÓN FILIALES, S.A.	Contractual	Finance income	340
ENEL ENERGY EUROPE, S.R.L.	ENDESA FINANCIACIÓN FILIALES, S.A.	Contractual	Financing agreements: loans and capital contributions (lender)	1,100
ENEL ENERGY EUROPE, S.R.L.	ENDESA GENERACIÓN PORTUGAL, S.A.	Contractual	Purchase of property, plant and equipment, intangible or other assets	60

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
ENEL ENERGY EUROPE, S.R.L.	ENDESA GENERACIÓN, S.A.	Contractual	Services received	16,220
ENEL ENERGY EUROPE, S.R.L.	ENDESA GENERACIÓN, S.A.	Contractual	Purchase of property, plant and equipment, intangible or other assets	3,140
ENEL ENERGY EUROPE, S.R.L.	ENDESA INGENIERÍA, S.L.	Contractual	Services received	20
ENEL ENERGY EUROPE, S.R.L.	ENDESA IRELAND LIMITED	Contractual	Services received	40
ENEL ENERGY EUROPE, S.R.L.	ENDESA LATINOAMÉRICA, S.A.	Contractual	Services received	290
ENEL ENERGY EUROPE, S.R.L.	ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L.	Contractual	Services received	9,180
ENEL ENERGY EUROPE, S.R.L.	ENDESA RED, S.A.	Contractual	Services received	1,070
ENEL ENERGY EUROPE, S.R.L.	ENDESA SERVICIOS, S.L.	Contractual	Services rendered	80
ENEL ENERGY EUROPE, S.R.L.	ENDESA SERVICIOS, S.L.	Contractual	Leases	6,590
ENEL ENERGY EUROPE, S.R.L.	ENDESA SERVICIOS, S.L.	Contractual	Services received	4,020
ENEL ENERGY EUROPE, S.R.L.	ENDESA, S.A.	Contractual	Dividends and other distributions	590,680
ENEL ENERGY EUROPE, S.R.L.	ENDESA, S.A.	Contractual	Purchase of property, plant and equipment, intangible or other assets	30,020
ENEL ENERGY EUROPE, S.R.L.	ENDESA, S.A.	Contractual	Management or partnership agreements	3,400
ENEL ENERGY EUROPE, S.R.L.	ENDESA, S.A.	Contractual	Services received	27,060
ENEL ENERGY EUROPE, S.R.L.	ENERSIS, S.A.	Contractual	Services received	260
ENEL ENERGY EUROPE, S.R.L.	GAS Y ELÉCTRICIDAD DE GENERACIÓN, S.A.U.	Contractual	Purchase of property, plant and equipment, intangible or other assets	170
ENEL ENERGY EUROPE, S.R.L.	GAS Y ELÉCTRICIDAD DE GENERACIÓN, S.A.U.	Contractual	Services received	1,130
ENEL ENERGY EUROPE, S.R.L.	HIDROELÉCTRICA EL CHOCÓN, S.A.	Contractual	Services received	10
ENEL ENERGY EUROPE, S.R.L.	HIDROMONDEGO-HIDROELÉCTRICA DO MONDEGO, LDA	Contractual	Purchase of property, plant and equipment, intangible or other assets	60
ENEL ENERGY EUROPE, S.R.L.	INMOBILIARIA MANSO DE VELASCO LTDA.	Contractual	Services received	11
ENEL ENERGY EUROPE, S.R.L.	UNIÓN ELÉCTRICA CANARIAS GENERACIÓN, S.A.U.	Contractual	Services received	2,960
ENEL ENERGY EUROPE, S.R.L.	UNIÓN ELÉCTRICA CANARIAS GENERACIÓN, S.A.U.	Contractual	Purchase of property, plant and equipment, intangible or other assets	170
ENEL, S.P.A.	BOLONIA REAL ESTATE, S.L.	Contractual	Management or partnership agreements	20
ENEL, S.P.A.	CARBOEX, S.A.	Contractual	Management or partnership agreements	50
ENEL, S.P.A.	CARBOEX, S.A.	Contractual	Other expenses	50
ENEL, S.P.A.	CHILECTRA, S.A.	Contractual	Services received	160
ENEL, S.P.A.	DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. UNIPERSONAL	Contractual	Management or partnership agreements	30
ENEL, S.P.A.	EMPRESA CARBONÍFERA DEL SUR, S.A.	Contractual	Management or partnership agreements	140
ENEL, S.P.A.	EMPRESA ELÉCTRICA PEHUENCHE, S.A.	Contractual	Purchase of finished goods and work in progress	60
ENEL, S.P.A.	EMPRESA ELÉCTRICA PEHUENCHE, S.A.	Contractual	Sale of finished goods and work in progress	210
ENEL, S.P.A.	EMPRESA ELÉCTRICA PEHUENCHE, S.A.	Contractual	Purchase of finished goods and work in progress	140
ENEL, S.P.A.	EMPRESA ELÉCTRICA PEHUENCHE, S.A.	Contractual	Sale of finished goods and work in progress	130
ENEL, S.P.A.	EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	Contractual	Purchase of finished goods and work in progress	3,130
ENEL, S.P.A.	EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	Contractual	Sale of finished goods and work in progress	30
ENEL, S.P.A.	EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	Contractual	Services received	47
ENEL, S.P.A.	EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	Contractual	Purchase of finished goods and work in progress	1,070
ENEL, S.P.A.	ENDESA CARBONO, S.L.	Contractual	Other income	890
ENEL, S.P.A.	ENDESA DESARROLLO, S.L.U.	Contractual	Management or partnership agreements	8
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services received	440
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Purchase of finished goods and work in progress	76,220
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services rendered	320
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services received	100
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services rendered	130
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Other income	30
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Purchase of property, plant and equipment, intangible or other assets	13,710
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Management or partnership agreements	19,439
ENEL, S.P.A.	ENDESA DISTRIBUCIÓN ELÉCTRICA	Contractual	Services rendered	160

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
ENEL, S.P.A.	ENDESA ECO, S.A.	Contractual	Financial expense	20
ENEL, S.P.A.	ENDESA ECO, S.A.	Contractual	Other income	770
ENEL, S.P.A.	ENDESA ENERGÍA XXI, S.L.	Contractual	Purchase of finished goods and work in progress	30
ENEL, S.P.A.	ENDESA ENERGÍA XXI, S.L.	Contractual	Management or partnership agreements	720
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Services received	10
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Management or partnership agreements	2,820
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Purchase of finished goods and work in progress	750
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Other expenses	560
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Services received	350
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Services rendered	10
ENEL, S.P.A.	ENDESA ENERGÍA, S.A.	Contractual	Sale of finished goods and work in progress	340
ENEL, S.P.A.	ENDESA FINANCIACIÓN FILIALES, S.A.	Contractual	Financial expense	1,820
ENEL, S.P.A.	ENDESA GAS, S.A.U.	Contractual	Other income	760
ENEL, S.P.A.	ENDESA GAS, S.A.U.	Contractual	Management or partnership agreements	10
ENEL, S.P.A.	ENDESA GENERACIÓN PORTUGAL, S.A.	Contractual	Management or partnership agreements	20
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Financial expense	20
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Other income	129,790
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Sale of finished goods and work in progress	11,870
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Services rendered	150
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Services rendered	890
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Services received	390
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Financial expense	230
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Services received	3,030
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Other expenses	1,180
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Other expenses	227,850
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Management or partnership agreements	12,559
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Services received	10
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Financing agreements: loans and capital contributions (lender)	0
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Financial expense	50
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Other income	17,310
ENEL, S.P.A.	ENDESA GENERACIÓN, S.A.	Contractual	Purchase of finished goods and work in progress	84,390
ENEL, S.P.A.	ENDESA INGENIERÍA, S.L.	Contractual	Sale of finished goods and work in progress	80
ENEL, S.P.A.	ENDESA INGENIERÍA, S.L.	Contractual	Sale of finished goods and work in progress	10
ENEL, S.P.A.	ENDESA INGENIERÍA, S.L.	Contractual	Services received	10
ENEL, S.P.A.	ENDESA INGENIERÍA, S.L.	Contractual	Services received	50
ENEL, S.P.A.	ENDESA INGENIERÍA, S.L.	Contractual	Services received	80
ENEL, S.P.A.	ENDESA IRELAND LIMITED	Contractual	Management or partnership agreements	350
ENEL, S.P.A.	ENDESA LATINOAMÉRICA, S.A.	Contractual	Services received	1,190
ENEL, S.P.A.	ENDESA LATINOAMÉRICA, S.A.	Contractual	Services rendered	910
ENEL, S.P.A.	ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L.	Contractual	Management or partnership agreements	330
ENEL, S.P.A.	ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L.	Contractual	Services received	10
ENEL, S.P.A.	ENDESA RED, S.A.	Contractual	Management or partnership agreements	160
ENEL, S.P.A.	ENDESA SERVICIOS, S.L.	Contractual	Management or partnership agreements	110
ENEL, S.P.A.	ENDESA SERVICIOS, S.L.	Contractual	Leases	750
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services received	1,580
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	370
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services rendered	30
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	70
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Financial expense	250
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Financial expense	37,680
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	1,560

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	540
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services rendered	760
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services received	2,660
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	4,520
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Finance income	20
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services received	830
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Other income	10
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Services received	1,310
ENEL, S.P.A.	ENDESA, S.A.	Contractual	Management or partnership agreements	1,790
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Finance income	1,830
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Other expenses	10
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Other expenses	40
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Management or partnership agreements	70
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Finance income	10
ENEL, S.P.A.	ENEL INSURANCE N.V.	Contractual	Management or partnership agreements	120
ENEL, S.P.A.	ENERGÍAS DE ARAGÓN I S.L.UNIPERSONAL,	Contractual	Management or partnership agreements	30
ENEL, S.P.A.	ENERSIS, S.A.	Contractual	Services rendered	50
ENEL, S.P.A.	GAS Y ELÉCTRICIDAD DE GENERACIÓN, S.A.U.	Contractual	Management or partnership agreements	2,600
ENEL, S.P.A.	GAS Y ELÉCTRICIDAD DE GENERACIÓN, S.A.U.	Contractual	Services received	10
ENEL, S.P.A.	UNIÓN ELÉCTRICA CANARIAS GENERACIÓN, S.A.U.	Contractual	Management or partnership agreements	6,060
ENEL, S.P.A.	UNIÓN ELÉCTRICA CANARIAS GENERACIÓN, S.A.U.	Contractual	Services received	10

C.3. List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company.

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

C.5. Identify, where appropriate, any conflicts of interest affecting company Directors pursuant to article 127 of the LSA.

Yes

Name or corporate number of director: Andrea Brentan

Description of conflict of interest: Endesa, S.A.'s CEO, who is also CEO of Enel Energy Europe, S.r.L. appointed by Enel, S.p.A., had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Brentan excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Borja Prado Eulate

Description of conflict of interest: Endesa, S.A.'s Chairman, who is also a Director of Enel Energy Europe, S.r.L. appointed by Enel, S.p.A., had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Prado Eulate excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Claudio Machetti

Description of conflict of interest: As a Proprietary Director appointed by Enel, S.p.A., Mr. Cioffi had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Machetti excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Fulvio Conti

Description of conflict of interest: Mr. Fulvio, who is a Proprietary Director appointed by Enel Energy Europe, S.r.L. and Chairman of Enel Energy Europe, S.r.L., had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Fulvio excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Gianluca Comin

Description of conflict of interest: As a Proprietary Director appointed by Enel, S.p.A., Mr. Cioffi had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel

Group companies. When these cases arose in 2012, Mr. Comin excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Luigi Ferraris

Description of conflict of interest: As a Proprietary Director appointed by Enel, S.p.A., Mr. Cioffi had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Ferraris excused himself from the Board meeting for these agenda items.

Name or corporate number of director: Massimo Cioffi

Description of conflict of interest: As a Proprietary Director appointed by Enel, S.p.A., Mr. Cioffi had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Cioffi excused himself from the Board meeting for these agenda items

Name or corporate number of director: Miquel Roca Junyent

Description of conflict of interest: As Secretary to the Board of Banco Sabadell, Mr. Roca had a conflict of interest when authorising a transaction between Endesa and Banco Sabadell. Mr. Roca excused himself from the Board meeting for this agenda item.

Name or corporate number of director: Salvador Montejo Velilla

Description of conflict of interest: Endesa, S.A.'s Secretary to the Board, who is also Secretary of Enel Energy Europe, S.r.L. appointed by Enel, S.p.A., had a conflict of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. When these cases arose in 2012, Mr. Montejo Velilla excused himself from the Board meeting for these agenda items.

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

Pursuant to article 29 of the Board of Directors' Regulations, Directors may not use the Company's name or rely on their status as Directors of the Company to engage in transactions for their own account or for that of persons related to them.

Likewise, no Director may, for his own account or for that of persons related to him, make an investment or engage in any transaction relating to the Company's assets that has come to his attention by reason of his office, where that investment or transaction would have been offered to the Company or the Company would have been interested in it, provided that

the Company has not rejected the investment or transaction without the influence of the Director.

Therefore, 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 relevant Director will refrain from involvement in any agreements or decisions relating to any transaction to which the conflict of interest relates and, in any event, information on any conflicts of interest affecting the Directors of the Company will be reported according to the law in force.

The Directors must disclose any direct or indirect interest held by them or their related parties in the capital of a company engaging in an activity of a type 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.

Furthermore, the Director must report the carrying out of activities as independent contractors or salaried employees, at companies having the same, analogous or complementary activity as the one forming the corporate purpose. The said information shall be disclosed in the annual report in accordance with current law in force.

For the purposes of this Article, the following will be deemed to be persons related to Directors:

- A) The spouse or spousal-equivalent of a Director.
- B) The ascendants, descendants and siblings of a Director or the spouse of a Director.
- C) The spouses of the ascendants, descendants and siblings of a Director.
- D) Companies in which a Director is, himself or through an interposed person, in any of the positions provided for in article 42 of the Spanish Commercial Code.

Where a Director is a legal entity, the following will be deemed to be related persons:

- A) Partners who are, with respect to a legal entity Director, subject to any of the situations of control contemplated by law.
- B) De facto or de jure Directors, liquidators and attorneysin-fact holding general powers of attorney from the Director.
- C) Companies forming part of the same group, and their shareholders.
- 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.

Article 26 of the same Regulations establishes the Directors' responsibilities, as it is the duty of all Directors to contribute to the role of the Board to promote and oversee the management of the Company. In performing their functions, they will act faithfully in the corporate interest, and with loyalty and due care. Their conduct must be guided solely by the corporate interest, interpreted with full independence, and they will 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.

They are under particular obligation to comply with point C):

Disclose transactions by family members and by companies related, by ownership, to the Director if such transactions are material to the management of the Company.

The Employees' Code of Conduct also deals with conflicts of interest, stating that:

Persons subject to these regulations must inform the General Secretary of any potential conflicts of interest that may arise in connection with the ownership of personal or family property or with any cause that interferes with the pursuit of the activities subject to these regulations.

Should the parties to whom the Charter applies have any doubts about whether a conflict of interest exists, they should consult the General Secretary who will resolve these doubts in writing. The General Secretary may pass this matter onto the Audit and Compliance Committee in potentially serious or difficult cases.

If the affected party is a member of the Audit and Compliance Committee or the Chief Executive Officer, the Committee itself shall resolve this issue. If the affected party is the General Secretary, the Chief Executive Officer must be informed of a potential conflict of interest so that the latter may rule on its existence, or, if appropriate, refer the matter to the Audit and Compliance Committee.

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

No

Identify the listed subsidiaries in Spain

Risk Control Systems

D.1. Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

Risk management involves guiding and directing strategic, organisational and operating activities to enable management to maximise Company profit, maintain or increase its equity above certain levels and prevent future events from undermining the Company's profit targets.

Risk management is part of corporate governance and is promoted by the Company's senior executives. To be effective, risk management must consider risk to be one more aspect of operating plans. Factors that might affect achievement of business objectives must be identified and analysed, and their consequences quantified to determine which actions need to be taken to help ensure that targets will be achieved.

The main principles defined by Endesa for its risk management policy are as follows:

- Global risk strategies addressing tactical and operational issues are established and developed to provide guidance in defining and deploying the various types and levels of risk within the Company, consistently with its business objectives.
- 2. Endesa's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
- 3. Endesa's Risk Committee is also responsible for approving Endesa's global risk policy and strategy, which form the framework of its corporate departments and businesses.
- 4. Any action involving higher levels of potential risk than those established by Endesa's Risk Committee must be approved by the said Committee.
- Risk governance is carried out through risk control and risk management functions, which are independent from each other.
- A single risk control function serves all of Endesa and is included in its hierarchy. Its responsibility is to ensure that all risk-related activities comply with risk policy.
- 7. Each corporate department or business has its own risk management function which is responsible for managing the risks which fall within its remit and implementing risk

controls which ensure compliance with the guidelines and limits approved by Endesa' Risk Committee.

Endesa is exposed to the following risks when carrying out its activities:

- Business risk: this type of risk includes:
 - Legal risk, which is the uncertainty deriving from government or legal action or the application or interpretation of contracts, laws and regulations.
 - Strategic and regulatory risk, connected to possible loss of value or losses as a result of strategic uncertainties, changes in the environment or market/competition, and regulatory framework. This includes country risk, the risk of restrictions on dividends and nationalisation, either in full or through expropriation regulations.
- Market risk: risk of fluctuations in prices and other market variables leading to changes in enterprise value or profits. These risks are classified as:
 - Commodity risk, or risk of fluctuations in the prices of raw materials of energy or fuel, in their respective quoted currencies.
 - · Interest rate risk: the risk of fluctuations in interest rates, loan spreads or inflation.
 - · Currency risk: the risk associated with foreign currency exchange rates.
 - · Liquidity and financial risk: in relation with liabilities, the risk of failing to complete transactions or meet obligations deriving from financial or operating activities due to lack of funds or access to financial markets; in relation with assets, the risk of being unable to find a buyer for assets at their market price at any given time, or the absence of a market price.
 - Equity risk, or the risk of fluctuations in share prices or other share indices.
 - Credit or counterparty risk: the risk of insolvency, receivership or bankruptcy or of possible default on payments of quantifiable or monetary obligations, by counterparties to whom the Company has granted net credit, for any reason, and which is pending settlement or collection.
 - Operational risk: the risk of incurring losses due to the absence or inadequacy of procedures, human resources or systems, or due to external events.

Endesa's risk control system, in which global risk is defined as the risk resulting from consolidation of all risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, enables the risk exposure of the Company's business areas and units to be consolidated and measured, and the corresponding management information to be drawn up for decisionmaking on risk and appropriate use of capital.

The risk management and control model is based partly on the ongoing study of the risk profile, current best practices in the electricity sector or benchmark practices in risk management, criteria for standardising measurements and the separation of risk managers and risk controllers. It is also based on ensuring that the risk assumed is proportional to the resources required to operate the businesses, optimising their risk-return ratio.

Risk management and control is the set of activities involved in identifying, measuring, controlling and managing the various risks incurred by the Company and its businesses. Its aim is to adequately control and manage those risks.

- Identification. The purpose of identifying Endesa Group risks is to maintain a prioritised and updated repository of all the risks assumed by the corporation through coordinated and efficient participation at all levels of the Company. This process is based on the following tasks:
 - · Continuously identify new risks or opportunities assumed by the Group.
 - · Include and periodically update the features and descriptions of identified risks.
 - · Carry out a preliminary assessment of the risks identified.
 - Prioritise risks by relative importance according to the established classification criteria.
 - Integrate the information gathered into the Endesa Group Risk Map included in the corporate reporting scheme.
- Measurement. The purpose of measuring parameters that allow Endesa Group risks to be aggregated and compared is to quantify overall exposure to risk, including all of the Group's positions. The following metrics may be applied, depending on the type of decision to be made: Value at Risk, EBITDA at Risk, and Margin at Risk. To achieve this objective, the following steps are taken:
 - · Timely collection of unique, consistent and reliable information on risk positions and factors.
 - · Consistent modelling of risk positions and factors.
 - Compilation of metrics encompassing all Endesa Group risks.
 - $\cdot\,$ Compilation of supplementary metrics to understand the risk structure assumed by the Endesa Group.

- Inclusion of metrics information in the corporate risk reporting scheme.
- Control. The purpose of risk control is to guarantee that the risks assumed by Endesa as a whole are appropriate.
 To achieve this objective, the following steps are taken:
 - Definition of quantitative references (limits) that reflect Endesa's strategy and its risk predisposition as defined by senior management.
 - · Monitoring of set limits.
 - Identification and consideration of possible breaches of limits.
 - Establishment of actions, processes and information flows needed to allow for periodic review of limits in order to take advantage of specific opportunities arising from each activity.
- Management. The purpose of risk management is to implement actions aimed at adjusting the risk levels at each level of the Company to the set risk tolerance and predisposition.

D.2. Indicate whether the Company or group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal...) during the year.

Yes

If so, indicate the circumstances and whether the established control systems worked adequately.

Risks occurring in the year: Endesa is constantly exposed to regulatory, interest rate and exchange rate risk.

Circumstances responsible for this occurrence: These risks remained within normal limits in proportion to the activity carried out during the year.

Operation of control systems: The established control systems worked adequately.

D.3. Indicate whether there is a committee or other governing body responsible for establishing and supervising these control systems.

Yes

If so, please explain its duties.

Name of the Committee or Body: Endesa Risk Committee.

Description of duties: The Committee regularly monitors the exposure to risk of Endesa, its businesses and corporate

areas and analyses the relevant risks which may affect Annual Operating Plan forecasts and significant transactions.

Its main functions are as follows:

- To analyse and draw up recommendations on the suitability of risk control procedures.
- To analyse breaches of the policies or limits approved by the Committee within the scope of the risk management regulations.
- To monitor any cases where the risk limits were exceeded and any corrective action taken by the Committee.
- To supervise and discuss the risk impact of significant transactions.

Composition of the Endesa Risk Committee

Chairman:

Deputy General Manager and Investor Relations

Members:

Head of Risk Control

Deputy Head of Commodities and Strategic Risk Control
Deputy Head of Financial and Credit Risk Control

Head of Risk Control Latin America

Head of Risk Analysis and Management

Regional Head of Energy Management for Latin America Head of Capital Markets and Financial Risk Management Deputy General Manager of Finance

Deputy General Manager of Business Strategy

Deputy General Manager of Planning and Control for Spain and Portugal

 $Head\ of\ Planning\ and\ Control\ for\ Latin\ America$

 $Head\ of\ Corporate\ and\ Financial\ Legal\ Counsel$

Head of Social Benefits

Head of Internal Audit

Secretary:

Head of Risk Control

Name of the Committee or Body: Audit and Compliance Committee.

Description of duties: The Audit and Compliance Committee is part of the Board of Directors of Endesa, S.A. in charge of promoting and supervising risk governance in the area of regulatory compliance and internal audit.

Name of the Committee or Body: Endesa Risk Committee.

Description of duties: Endesa's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.

The main duties of the Endesa Risk Committee (hereinafter "ERC") are as follows:

- To approve and issue Endesa's global risk policy, and file it as a legal regulation.
- To approve significant transaction types and thresholds and make these known, at least during the preparation of the Annual Operating Plan.
- To identify the corporate departments that manage the value of a portfolio, margin or costs and, where applicable, any risks that might exist within the Company that are not managed by any units.
- To establish and review the criteria, basic principles and overall risk strategy in the context of Endesa's various corporate departments or businesses.
- To ensure their adaptation and development within the corporate departments and businesses.
- · To approve Endesa's global assessment methodologies.
- To approve overall risk limits for the corporate departments and businesses as proposed by the Chief Financial Officer.
- · To resolve any risk-related disputes.
- To review Endesa's risk exposure at least every quarter.
- To supervise information on transactions identified as significant.
- Based on management reports, to analyse the impact on business results of transactions identified as significant.
- To analyse Endesa's risk exposure, as well as that of its businesses and corporate departments.
- To authorise transactions that exceed the limits set by the "ERC" owing to their high risk impact.
- To provide instructions for corrective action to be taken in the event of a breach of any aspect of the regulatory framework for risk.

Composition of ERC

Chairman:

Chief Executive Officer

Members:

General Manager - Economic and Financial General Manager for Spain and Portugal General Manager for Latin America General Manager - Strategy and Development

Secretary:

Deputy General Manager and Investor Relations

Name of the Committee or Body: Endesa Business Risk Committee.

Description of duties: The Committee is responsible for applying Endesa's business risk policy.

Its main duties are as follows:

- To approve and issue Endesa's global risk policy, and file it as a legal regulation.
- To provide instructions for corrective action to be taken in the event of a breach in Endesa's internal regulations.
- To analyse and periodically revise the level of risk exposure of Endesa's business and companies.
- To authorise transactions that exceed the limits owing to their high risk impact or, where necessary, submitting these to the ERC.
- To keep Endesa's Risk Committee informed of the main agreements reached in this area.

D.4. Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

The Company and its subsidiaries carry out their activities within various regulatory frameworks relating to the sector, the securities markets, the environment, labour law, tax law, etc. in Spain and in the other countries where they operate. Rules, procedures and controls have therefore been established to ensure compliance or, where applicable, to correct non-compliance promptly.

Each of the Company's corporate or business areas is responsible for compliance with the regulations applicable to the sector in which it operates. However, there are four units with clearly defined responsibilities to ensure compliance with internal and external regulations affecting Endesa and its subsidiaries:

- General Secretary and Secretary of the Board of Directors which ensures that the activities of the Company's governing bodies are lawful from the formal and substantive standpoints, ensures that they are compliant with the Bylaws and with the provisions made by regulatory bodies; and that the principles and rules of good governance are respected.
- Corporate Legal Counsel Department, which is responsible for promoting measures that ensure compliance by Endesa and its Group companies with the regulations in force in all applicable respects. To achieve this, internal procedures ensure that the Department participates in all areas of the business where there may be significant legal consequences. When necessary, the Company also engages the services of external advisors with regard to the regulations which affect the Company in Spain and the other countries where it operates.
- Internal Audit function, responsible for ensuring compliance with Endesa's internal regulations, which are directly applicable to fully owned Endesa subsidiaries. In all the other companies in which Endesa holds an interest, its representatives on the governing and management bodies shall promote the adoption of the internal regulations. It is also responsible for coordinating and monitoring the work carried out by external audit companies.
- Economic and Finance Department, responsible for monitoring and coordinating financing of business areas and subsidiaries, identifying, assessing and controlling risk, and verifying whether corporate businesses and areas are within the established limits.

Ε.

General Shareholders' Meeting

E.1. Indicate the quorum required for constitution of the General Shareholders' Meeting. Describe how it differs from the system of minimum quorums established in the LSA.

No

	Quorum % other than that established in article 102 of the LSA for general cases	Quorum % other than that established in article 103 of the LSA for the special cases described in article 103	
Quorum required for first call	0	0	
Quorum required for second call	0	0	

E.2. Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework set forth in the LSA.

No

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

E.3. List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the LSA.

Neither the Company's Bylaws nor the General Shareholders' Meeting Regulations grant shareholders any rights other than those set out in the Corporate Enterprises Act, for common shares, non-voting shares, redeemable or preferred shares.

E.4. Indicate the measures, if any, adopted to encourage shareholder participation at General Shareholders' Meetings.

In compliance with the Corporate Bylaws, the Company approved the General Shareholders' Meeting Regulations with a view to increasing shareholder participation at Shareholders' Meetings by suitably arranging for mechanisms to provide them with information and encouraging them to contribute to the decision-making process at the Company by exercising their rights to participate in debates and to vote.

Insofar as possible, ENDESA implements an active policy aimed at disseminating its notice to the General Meeting as widely as possible, trying to encourage shareholder participation through measures such as:

- Giving maximum publicity to the notice to the General Meeting, publishing it in the BORME (Official Gazette of the Mercantile Registry) and providing as much notice as possible between issuance of the notice and the General Meeting. In 2012 the Company gave 31 days' notice, 41 days in 2011, 34 days in 2010, 34 and 38 days in 2009 (for the Ordinary and the Extraordinary Meetings, respectively), 32 days in 2008, 36 and 52 days in 2007 (for the Ordinary and the Extraordinary Meetings, respectively) and 32 days in 2006, giving shareholders sufficient time in which to familiarise themselves with the full wording of the proposed resolutions and other supplementary information.
- Increasing regular communication channels between shareholders and the Company, making another mailbox available on the website under the caption General Shareholders' Meeting.
- Live broadcast of the General Meeting on the Company's website (www.endesa.com).
- Remote, regular and electronic voting was available at the Ordinary and Extraordinary Meetings of 2012, 2011, 2010, 2009, 2008, 2007 and 2006.

In short, in recent years ENDESA has been making a constant effort to achieve the greatest possible participation of shareholders at Shareholders' Meetings. Accordingly, the quorums for the past seven years were as follows:

Year	Quorum
2006	48.26%
2007	75.11% (Ordinary Meeting)
2007	93.57% (Extraordinary Meeting)
2008	93.84%
2009	93.54% (Ordinary Meeting)
2009	93.75% (Extraordinary Meeting)
2010	93.99%
2011	93.87%
2012	93.49%

E.5. Indicate whether the General Shareholders' Meetings is presided by the Chairman of the Board of Directors. List measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting.

Yes

Details of measures

The General Shareholders' Meeting Regulations adopted in 2003 ensure the independence and correct operation of General Shareholders' Meeting with article 1 providing that "pursuant to the legal provisions and the Company Bylaws the Regulations govern the organisation and functioning of the Shareholders' Meeting, its call notices, preparation, information, attendance and proceedings, with a view to facilitating the Shareholders' exercise of their related rights," thereby contributing to the corporate decision-making process through the exercise of their rights to participate in debates and to vote.

E.6. Indicate the amendments, if any, made to the General Shareholders' Meeting regulations during the year.

E.7. Indicate the attendance figures for the General Shareholders' Meetings held during the year:

Attendance data

Date of	O/ attaching	% by proxy	% remot	te voting	
General Meeting	% attending in person		Electronic means	Other	Total
26/06/2012	92.075	1.381	0.000	0.039	93.495

E.8. Briefly indicate the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes with which each resolution was adopted.

ORDINARY GENERAL MEETING 26 JUNE 2012

1. Examination and approval, as the case may be, of the Individual Annual Financial Statements of ENDESA, S.A. (Balance Sheet, Income Statement, Statement of Global Earnings, Statement of Changes in Net Equity, Cash-Flow Statement and Annual Report), as well as of the Consolidated Annual Financial Statements of ENDESA, S.A. and dependent companies (Consolidated Balance Sheet, Consolidated Income Statement, Statement of Global Earnings, Consolidated Statement of Global Earnings, Consolidated Statement of Changes in Net Equity, Consolidated Cash-Flow Statement and Consolidated Annual Report), for the fiscal year ending December 31, 2011.

This resolution was passed with a majority vote, in favour: 989,722,290 shares, 99.98446%; against: 5,443 shares, 0.00055%; abstentions 148,200 shares, 0.01497%; unmarked ballots: 200 shares, 0.00002%.

2. Examination and approval, as the case may be, of the Individual Management Report of ENDESA S.A. and the Consolidated Management Report of ENDESA, S.A. and dependent companies for the fiscal year ending December 31, 2011.

This resolution was passed with a majority vote, in favour: 989,620,481 shares, 99.97418%; against: 107,252 shares,

0.01083%; abstentions 148,200 shares, 0.01497%; unmarked ballots: 200 shares, 0.00002%.

3. Examination and approval, as the case may be, of the corporate management for the fiscal year ending 31 December 2011.

This resolution was passed with a majority vote, in favour: 989,693,340 shares, 99.98153%; against: 34,549 shares, 0.00349%; abstentions 148,044 shares, 0.01496%; unmarked ballots: 200 shares, 0.00002%.

4. Examination and approval, as the case may be, of the application of fiscal year earnings and dividend distribution for the fiscal year ending 31 December 2011.

This resolution was passed with a majority vote, in favour: 989,723,440 shares, 99.98457%; against: 4,029 shares, 0.00041%; abstentions 148,464 shares, 0.01500%; unmarked ballots: 200 shares, 0.00002%.

5. Ratification of the Company's corporate website.

This resolution was passed with a majority vote, in favour: 989,723,127 shares, 99.98455%; against: 3,790 shares, 0.00038%; abstentions 148,877 shares, 0.01504%; unmarked ballots: 339 shares, 0.00003%.

6. Re-election of Director Andrea Brentan.

This resolution was passed with a majority vote, in favour: 989,487,756 shares, 99.96077%; against: 198,463 shares, 0.02005%; abstentions 189,575 shares, 0.01915%; unmarked ballots: 339 shares, 0.00003%.

7. Re-election of Director Luigi Ferraris.

This resolution was passed with a majority vote, in favour: 981,387,451 shares, 99.14246%; against: 8,332,818 shares, 0.84180%; abstentions 155,525 shares, 0.01571%; unmarked ballots: 339 shares, 0.00003%.

8. Removal due to expiration of the statutory term of four years of Director Claudio Machetti, and appointment of Mr. Massimo Cioffi as his replacement.

This resolution was passed with a majority vote, in favour: 982,203,679 shares, 99.22490%; against: 7,521,642 shares, 0.75986%; abstentions 150,612 shares, 0.01522%; unmarked ballots: 200 shares, 0.00002%.

9. Appointment of a Director to cover the vacancy produced by the resignation of Mr. Luis de Guindos Jurado.

To appoint Mr. Salvador Montejo Velilla as a member of the Board of Directors for a statutory term of four years.

Mr. Salvador Montejo Velilla was appointed to cover the vacancy produced by Mr. Luis de Guindos Jurado who tendered his resignation on 21 December 2011, as a result of being appointed as Minister of Economy and Competitiveness.

This resolution was passed with a majority vote, in favour: 980,571,809 shares, 99.16180%; against: 6,333,077 shares, 0.64044%; abstentions 1,955,047 shares, 0.19771%; unmarked ballots: 449 shares, 0.00005%.

- 10. Comparison chart showing the amendment of the Board of Directors' Regulations.
- 11. Annual report on Directors' remuneration, for voting on a consultative basis.

This resolution was passed with a majority vote, in favour: 979,584,573 shares, 98.96032%; against: 10,130,012 shares, 1.02336%; abstentions 161,348 shares, 0.01630%; unmarked ballots: 200 shares, 0.00002%.

12. Delegation to the Board of Directors for the execution and implementation of the resolutions adopted by the General Meeting, as well as to substitute the authorities it receives from the General Meeting, and granting of authorities for processing the said resolutions as a public instrument, registration thereof and, as the case may be, correction thereof.

This resolution was passed with a majority vote, in favour: 989,644,375 shares, 99.97659%; against: 80,916 shares, 0.00817%; abstentions 150,642 shares, 0.01522%; unmarked ballots: 200 shares, 0.00002%.

E.9. Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

No.

Number of shares required to attend the General Shareholders' Meetings

E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

The policy pursued by the Company on this matter is pursuant to its Bylaws, the General Shareholders' Meeting Regulations and legislation currently in force.

E.11. Indicate whether the company is aware of the policy of institutional investors on whether or not to participate in the company's decision-making processes.

No.

E.12. Indicate the address and mode of accessing corporate governance content on your company's website.

The Company's website is www.endesa.com. Information on Corporate Governance can be accessed from the homepage via two separate channels:

- Corporate Governance.
- Investor.

Degree of compliance with corporate governance recommendations

Indicate the degree of the company's compliance with Corporate Governance recommendations. Should the company not comply with any of them, explain the recommendations, standards, practices or criteria the company applies.

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

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Compliant

- 2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:
- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

- 3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:
- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose:
- c) Operations that effectively add up to the company's liquidation

Compliant

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Explain

The call notice for the 2012 General Shareholder's Meeting contained all the information detailed in Recommendation 28 except for the identity of the four Directors who were re-elected or appointed at the said Meeting. The call notice was published on 25 May but the Board did not propose the names of the said Directors until 14 June, 12 days prior to the Meeting on 26 June. In other words, despite not complying with this Recommendation, the Company's shareholders and investors had 12 days before the Meeting in which to ascertain the identities of the proposed Directors and consult their CVs.

- 5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:
- a) The appointment or ratification of Directors, with separate voting on each candidate;
- b) Amendments to the Bylaws, with votes taken on all articles or group of articles that are materially different.

See section: E.8

Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Compliant

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

- 8. The Board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:
- a) The company's general policies and strategies, and, in particular:
 - The strategic or business plans, management targets and annual budgets;
 - ii) Investment and financing policy;
 - iii) Design of the structure of the corporate group;
 - iv) Corporate governance policy;
 - v) Corporate social responsibility policy;
 - vi) Remuneration and evaluation of senior officers;
 - vii) Risk control and management, and the periodic monitoring of internal information and control systems;
 - viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.1, B.1.13, B.1.14 and D.3

- b) The following decisions:
 - On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14

ii) Directors' remuneration, and, in the case of Executive Directors, the additional remuneration for their executive functions and other contract conditions.

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Transactions which the Company conducts with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
- 2. They go through at market prices, generally set by the person supplying the goods or services;
- 3. Their amount is no more than 1% of the company's annual revenues. It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the Directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See sections: C.1 and C.6

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Compliant

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

the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

Compliant

11. In the event that some External Director can be deemed neither Proprietary nor Independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

See section: B.1.3

Not applicable

12. That among External Directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by Proprietary Directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of Proprietary Directors is greater than would strictly correspond to the total percentage of capital they represent:

- In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
- 2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Compliant

13. The number of Independent Directors should represent at least one third of all Board members.

See section: B.1.3

Explain

The Board comprises nine Directors: four Proprietary Directors (44%), three Executive Directors (33.33%) and two Independent Directors (22.22%). In order to correctly assess the percentage of the categories of Director and, in particular, the number of Independent Directors, it is important to look at the structure of the Company's share capital. In the case of Endesa, 92.063% is in the hands of a single owner, Enel S.p.A., while the remaining 7.94% is free float. In other words, there is no other significant owner of this 7.94% and even though Endesa's free float is only 7.94%, 22% of its Directors are independent. Therefore, even though Endesa

is not compliant with this Recommendation, it considers the number of Independent Directors to be correct.

14. The nature of each Director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of Proprietary Directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.14

Compliant

- 15. When women Directors are few or non existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:
- a) The process of filling Board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: B.1.2, B.1.27 and B.2.3

Compliant

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See section: B.1.42

Compliant

17. When a company's Chairman is also its chief executive, an Independent Director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give

voice to the concerns of External Directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Not applicable

- 18. The Secretary should take care to ensure that the Board's actions:
- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the Company Bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to. In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting; the relevant appointment and removal procedures being spelled out in the Board's regulations.

See section: B.1.34

Compliant

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items.

See section: B.1.29

Partially compliant

Regarding the inclusion of new matters on the agenda, article 47 of the Bylaws states that the Board will deliberate on those matters contained on the agenda and also on all those matters that the Chairman or majority of the Directors present or represented, propose. Likewise, article 10 of the Regulations of the Board of Directors states that one third of the members of the Board may, prior to the holding of the Meeting, may request the inclusion of such items as they may see fit to deal with.

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.30

Compliant

21. When Directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

- 22. The Board in full should evaluate the following points on a yearly basis:
- a) The quality and efficiency of the Board's operation;
- b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties:
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Compliant

23. All Directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the bylaws or Board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Compliant

24. All Directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Compliant

25. Companies should organise induction programmes for new Directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant

26. Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about the number of directorships their Board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Partially compliant

With regard to b) above, the Company does not deem it necessary to lay down formal rules about the number of directorships its Board members can hold as the Directors are aware of and fully comply with the Directors' duties laid down in the Corporate Enterprises Act and the Company's Bylaws, namely due diligence and loyalty in performing their duties, among others. However, we would note that this rule did exist up until the 2007 Extraordinary General Meeting (it laid down the following limits and incompatibilities for Directors: ... c) Directors may not simultaneously be members of more than five Boards of Directors, and, for these purposes, the Boards of Directors of the various investees, will not be computed) and that, in fact, the Company would currently be compliant.

- 27. The proposal for the appointment or renewal of Directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:
- a) On the proposal of the Nomination Committee, in the case of Independent Directors;
- Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Compliant

- 28. Companies should post the following Director particulars on their websites, and keep them permanently updated:
- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the Director's classification as Executive, Proprietary or Independent; in the case of Proprietary Directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company Director; and

 e) Shares held in the company and any options on the same.

Compliant

29. Independent Directors should not stay on as such for a continued period of more than 12 years.

See section: B.1.2

Compliant

30. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Compliant

31. The Board of Directors should not propose the removal of Independent Directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a Director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III. 5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Compliant

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

The moment a Director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Compliant

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

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation. This terms of this Recommendation should also apply to the Secretary of the Board, Director or otherwise.

Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Not applicable

- 35. The Company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:
- a) The amount of the fixed components, itemised, where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual remuneration they give rise to.
- b) Variable components, in particular:
 - The types of Directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

- iii) The main parameters and grounds for any system of annual bonuses or other non cash benefits; and
- iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with preset targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:
 - i) Duration.
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual relation between company and Executive Director.

See section: B.1.15

Compliant

36. Remuneration comprising the delivery of shares in the Company or other companies in the group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to Executive Directors.

The delivery of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

See sections: A.3 and B.1.3

Compliant

37. External Directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

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

Not applicable

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

Compliant

40. The Board should submit a report on the Directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Compliant

- **41.** The notes to the annual accounts should list individual Directors' remuneration in the year, including:
- a) A breakdown of the compensation obtained by each company Director, to include where appropriate:
 - i) Participation and attendance fees and other fixed Directors payments;
 - ii) Additional compensation for acting as chairman or member of a Board committee;
 - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
 - iv) Contributions on the Director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
 - v) Any severance packages agreed or paid;
 - vi) Any compensation they receive as Directors of other companies in the group;

- vii) The remuneration executive directors receive in respect of their senior management posts.
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the Director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:
 - i) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
 - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Compliant

42. When the Company has an Executive Committee, the breakdown of its members by Director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Partially compliant

At present the Executive Committee comprises two Executive and two Proprietary Directors which is not similar to that of the Board itself which also includes Independent Directors (specifically, 33% Executive Directors, 44% Proprietary Directors and 22% Independent Directors). However, it must be noted that Endesa deems it imperative that two of its three Executive Directors and two of its four Proprietary Directors also sit on the Executive Committee, as there are fewer members of this Committee compared to the Board, and given the structure of the Company's share capital with 92.063% belonging to a single shareholder, Enel S.p.A.

We would also note that there is currently a vacancy on the Executive Committee which was previously occupied by an Independent Director.

43. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Explain

At the beginning of all Board meetings, the Chairman of the Executive Committee verbally informs all members present of the decisions taken by the Executive Committee.

- 44. In addition to the Audit Committee mandatory under the Securities Market Act, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration. The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the Board regulations, and include the following:
- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;
- b) These committees should be formed exclusively of External Directors and have a minimum of three members. Executive Directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committees should be chaired by an Independent Director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy of the minutes sent to all Board members.

See sections: B.2.1 and B.2.3

Partially compliant

With regard to item b) above, we would note that an Executive Director sits on the Audit and Compliance Committee. Even though the Recommendation states that all members should be external, the Company believes it is important that this

Executive Director sit on the Committee given his experience and professional knowledge of this area.

Also, and with regard to e) above, we would note that all meetings are minuted but that copies are not sent to all Board members as all Committee members are also Board members. Also, at the beginning of each Board meeting the Chairmen of both Committees verbally inform all members present of the decisions taken at Committee meetings.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliant

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Compliant

48. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

- 49. Control and risk management policy should specify at least:
- a) The different types of risk (operational, technological, financial, legal, reputational, ...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- Measures in place to mitigate the impact of risk events should they occur;

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

See section: D

Compliant

50. The Audit Committee's role should be:

- 1. With respect to internal control and reporting systems:
 - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Reviewing internal control and risk management systems on a regular basis, so major risks are properly identified, managed and disclosed.
 - c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
 - d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.
- 2. With respect of the external auditor:
 - a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.
 - b) To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.
 - c) Monitor the independence of the external auditor, to which end:
 - i) The company should notify any change of auditor to the CNMV as a significant

- event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same;
- ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
- iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Compliant

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

Compliant

- 52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:
- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Compliant

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be Independent Directors.

See section: B.2.1

Explain

The Appointments and Remuneration Committee comprises four members: 50% are Independent Directors and 50% Proprietary Directors. However, it should be noted that 92.063% of the share capital is held by a single shareholder and that the Board comprises only two Independent Directors who also sit on the Appointments and Remuneration Committee.

- 55. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:
- a) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the Chairman and chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partially compliant

With regard to b) above we would note that even though the Company's internal regulations contain a provision to organise the succession of the Chairman, Deputy Chairman and Chief Executive Officer, there is no formal protocol or internal procedure in place. However, given the current structure of Endesa's share capital, i.e. with a controlling shareholder holding 92.063%, we believe it is appropriate that the said shareholder directly intervenes in planning and organising these successions.

56. The Nomination Committee should consult with the Company's Chairman and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant

- 57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:
- a) Make proposals to the Board of Directors regarding:
 - i) The remuneration policy for Directors and senior officers;
 - ii) The individual remuneration and other contractual conditions of Executive Directors;
 - iii) The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Compliant

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

G. Other information

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

B.1.12.

Mr. Salvador Montejo Velilla has been a senior executive at Endesa since 1999. On 26 June 2012, Mr. Montejo was appointed to the Endesa Board of Directors and is currently the Company's Secretary Director. He is therefore deemed to be an Executive Director.

Under the terms of Recommendation B.1.12 (List any members of senior management who are not Executive Directors and indicate total remuneration paid to them during the year) we are unable to list Mr. Montejo as an Executive Director at 31 December 2012. However, during the first six months of the year he was a senior executive at the Company and as such we have included the remuneration paid to him to 30 June 2012 in the total remuneration paid to senior management.

B.1.30.

Total absences as a percentage of the total number of votes for the period are calculated by multiplying the total number of Board meetings by the total number of Board members.

C.2

The related-party transactions listed in section C.2 were carried out by Enel, S.p.A. or subsidiaries.

Further information on these related-party transactions can be found in the Notes to the Financial Statements of Endesa, S.A. and Endesa, S.A. and subsidiaries.

CODE OF BEST TAX PRACTICES:

On 20 December 2010 the Board of Directors of Endesa, S.A. approved the adoption of the Code of Best Tax Practices. At its meeting on 25 February 2013, the Audit and Compliance Committee approved the Company's tax policies pursuant to this Code.

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

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

Binding definition of Independent Director:

List any Independent Directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the Directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code.

No

Date and signature:

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on:

25/02/2013

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

No





Additional disclosure requirements for the Annual Corporate Governance Report of ENDESA, S.A. under article 61 bis of the Spanish Securities Market Act

The 2011 Sustainable Economy Act (Act 2/2011) of 4 March 2011 introduced new disclosure requirements for the Annual Corporate Governance Report (hereinafter, "ACGR") for listed companies. Section three of final provision five adds a new Chapter IV to Recital VI of the Securities Market Act (Act 24/1988 of 28 July 1998) (hereinafter, "LMV" for its initials in Spanish) entitled "Regarding the Annual Corporate Governance Report", which contains the new article 61 bis regulating this Report.

Article 61 bis, which repeals and restates articles 116 and 116 bis (the latter stated that additional information be included in the management report), requires companies to include a description of the main features of their internal control and risk management systems with regard to statutory financial reporting.

In order to comply with article 61 bis of the LMV, the chapter including additional information requires further explanation as the prevailing Annual Corporate Governance Report model approved by Circular 4/2007, of 27 December of the Comisión Nacional del Mercado de Valores (the Spanish Securities Market Commission or CNMV for its acronym in Spanish), which currently prevails, does not contemplate the possibility of including the information requested, and in particular the following headings:

- Securities that are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class, the rights and obligations attaching to it (article 61 bis 4, a, 3 LMV).
- 2. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b LMV).
- 3. Rules governing the amendment of the articles of association (article 61 bis 4, a, 4 LMV).
- 4. Significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control following a takeover bid and the effects thereof (article 61, bis, 4, c, 4 LMV).
- 5. Agreements between the Company and its Board members or employees providing for compensation in the event of unfair dismissal or if they are made redundant as a result of a takeover bid (article 61 bis, 4, c, 5 LMV).
- 6. Description of the main characteristics of the internal control and risk management systems with regard to statutory financial reporting (art. 61 bis 4, h LMV).

1. Securities that are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class, the rights and obligations attaching to it (article 61 bis 4, a, 3 LMV).

The Company's share capital amounts to Euros 1,270,502,540.40 and has been fully subscribed and paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of Euros 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares that comprise the share capital, represented by account entries, are considered to be securities and are governed by the provisions of the law that regulates the Securities Market.

Endesa's shares, traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of ENDESA, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

2. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b LMV).

As we have stated in section A.10 of the Annual Corporate Governance Report, there are no restrictions imposed by the Company's Bylaws on the transfer of ENDESA securities or voting rights.

3. Rules governing the amendment of the articles of association (article 61 bis 4, a, 4 LMV).

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

When less than 50% of the subscribed voting share capital is present, the resolutions referred to above may only be validly adopted when two-thirds of the capital present or represented at the Meeting casts a vote in favour thereof.

4. Significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control following a takeover bid and the effects thereof (article 61, bis, 4, c, 4 LMV).

ENDESA and its subsidiaries have loans and other borrowings from banks of approximately Euros 479 million that

might have to be repaid early in the event of a change of control over ENDESA. It also has derivatives with a gross market value of Euros 5.16 million (notional amount of Euros 45 million) that might have to be settled early as a result of a change of control.

5. Agreements between the Company and its Board members or employees providing for compensation in the event of unfair dismissal or if they are made redundant as a result of a takeover bid (article 61 bis, 4, c, 5 LMV).

At 31 December 2012, ENDESA had **44** Executive Directors, senior executives and executives with guarantee clauses in their employment contracts.

Executive Directors	3
Senior executives	19
Executives	22
Total	44

These clauses are the same in all the contracts of the Executive Directors and senior executives of the Company and of its Group and were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses for the Executive Directors and senior executives is as follows:

Termination:

- By mutual agreement: termination benefit equal to an amount from one to four times the annual remuneration, on a case-by-case basis.
- Unilateral decision by an executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other cases for compensation for termination provided for in Royal Decree 1382/1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of two of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of employment. These conditions are alternatives to those derived from changes to the pre-existing employment relationship or its termination due to early retirement for the senior executives.

Post-contractual non-competition clause:

In the vast majority of contracts, the outgoing senior executive is required not to engage in a business activity in competition with Endesa for a period of two years; in return, the executive is entitled to an amount equal to 1.25 times annual fixed remuneration payment.

The regime governing the clauses for the 22 executives is similar to that described for the Executive Directors and senior executives, except in the case of certain specific termination benefits of the senior executives.

6. Description of the main characteristics of the internal control and risk management systems with regard to statutory financial reporting (art. 61 bis 4, h LMV).

6.1. Introduction

Disclosure requirements constitute an area of securities market practice that has developed rapidly in recent years. In particular, the rules governing financial reporting by listed companies have been successively refined, while their technical complexity has grown exponentially. To respond to these challenges, it is essential that internal control systems evolve in tandem, so that they are capable of providing the market with reasonable assurance of the reliability of the financial information that listed companies report.

Stakeholders, meanwhile, are requiring companies to making stronger commitments to protecting the interests of their shareholders, customers, creditors, suppliers and of society as a whole. One of the outcomes of these new demands is the establishment by companies of specific measures to reinforce confidence in the financial information, in the broadest sense, they disclose publicly.

A cornerstone of this confidence is the creation of effective internal control over financial reporting systems, which allow:

- The provision of reliable and high-quality financial information by involving the entire organisation.
- The use of systemic and formal controls over financing reporting and the use of best practices to make these controls stronger and more effective.

Against this backdrop, in 2010 the Internal Control Working Group (hereinafter, "ICWG") was set up at the proposal of the Spanish National Securities Market Commission (hereinafter, the "CNMV" for its acronym in Spanish) in order to draft a set of recommendations on internal control over financial reporting (hereinafter, "ICFR"). The work of the ICWG focused on three basic goals:

- (i) Reviewing the Spanish regulatory framework with regard to internal control over financial reporting.
- (ii) Establishing a framework of ICFR principles and good practice, including the monitoring of system operation, and
- (iii) Contributing to enhancing the transparency of the information companies provide to the market regarding their ICFR.

At the same time, Spain's Sustainable Economy Act (Law 2/2011, of 4 March 2011) introduced a new article 61 bis to Spain's Securities Market Act (Law 24/1988, of 28 July 1988) which regulates the minimum contents of the annual corporate governance report, including the provision that these reports must henceforth include a description of the main features of internal control and risk management systems with regard to statutory financial reporting.

Although this legal mandate is pending regulatory enactment at the time of authorising this report for issue, the CNMV has published a draft Circular that fleshes out the contents of the ICFR report required under the Securities Market Act.

ENDESA, S.A. and its subsidiaries (hereinafter, "ENDESA") have had an official ICFR model in place for several years now and have prepared this report following the guidelines laid down in the aforementioned draft CNMV Circular.

6.2. General overview of ICFR at ENDESA, S.A.

Financial reporting is a critical communication function vis-à-vis shareholders, investors, financial institutions and the supervisory authorities, which is fed with information taken from various sources. In fact, to a greater or lesser extent, nearly all of ENDESA's organisational units supply information of relevance to the financial reporting process. This is why compliance with the information transparency and accuracy imperatives is the responsibility not only of the Group's Economic and Finance Department but also of all the units comprising ENDESA in their respective areas of expertise. This shared liability is in fact one of the cornerstones of how ICFR works at ENDESA.

The Company's ICFR system is predicated on two classes of control:

 General controls (comprising elements such as an Audit Committee, a Code of Ethics, an internal audit function, a suitable organisational structure, etc.), and (ii) Controls in the various business areas over transactions with a financial reporting impact.

In this regard, ENDESA's ICFR model currently comprises 236 organisational units (77 in Spain and Portugal and 159 in Latin America) and 840 processes (187 in Spain and Portugal and 653 in Latin America) that have a material impact on the Group's financial information. These organisational units and processes have been distilled, by means of standardised documentation, into 5,875 control activities (1,346 in Spain and Portugal and 4,529 in Latin America). For each of these control activities, the Group has pinpointed the party responsible for their execution so as to guarantee all the records kept in preparing its financial information can be properly traced back to their source.

The documentation generated in relation to these units and processes includes detailed descriptions of the transactions relating to the financial reporting process from the initial recording to the ultimate accounting entries and their subsequent disclosure, including their handling and certification along the way. To this end, the documentation is prepared with the following basic objectives in mind:

- (i) Identification of the critical processes related directly and indirectly to the generation of financial information.
- (ii) Identification of the risks intrinsic to these processes which could give rise to material financial reporting errors (typically related to completeness, validity, recognition, cut-off, measurement and presentation).
- (iii) Identification and categorisation of the controls in place to mitigate these risks.

All of ENDESA's ICFR documentation is held in a corporate computer application. The IT system information is updated regularly in order to reflect any changes in transaction treatment or financial reporting controls. Traceability is sufficient to support all kinds of checks.

These regular updates are intended to build upon the initial effort to improve the quality of the existing processes and to strengthen control over the financial information generation mechanisms.

Twice a year, the Group's management evaluates its ICFR system. During this exercise, each of the parties responsible for the controls identified in the corporate ICFR support system assesses the design and efficacy of these controls. The ICFR model also includes a certification process, similarly performed twice-yearly, this time by the Audit Department, with a view to validating the evaluation performed by those responsible for the controls.

Twice a year, based on the conclusions of the foregoing ICFR evaluation process, ENDESA management draws conclusions on how well its ICFR model is working, establishing action plans as required to address any shortcomings or areas for improvement uncovered in the course of the evaluation process.

The results of the half-yearly evaluation process are analysed by the Group's Audit and Compliance Committee on behalf of the Board of Directors, which is ultimately responsible for ensuring the existence of an adequate and effective ICFR system at the Group.

6.3. Basic indicators

6.3.1. The entity's control environment

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

Board of Directors

The Board of Directors of ENDESA is ultimately responsible for the existence and regular updating of an adequate and effective ICFR system. As stipulated in the Board of Directors' Regulations, this duty has been delegated in the Audit and Compliance Committee.

Audit and Compliance Committee

Article 14, section 6 of the Board of Directors' Regulations states that the main task of the Audit and Compliance Committee is to promote good corporate governance and ensure the transparency of all ENDESA's actions in the economic and financial, external and internet audit and compliance areas.

To this end it is vested with the duties of being familiar with and monitoring the financial reporting process and ENDE-SA's ICFR systems. These duties specifically include the following:

- Monitoring the preparation and the integrity of the financial information prepared on the Company and, where appropriate, ENDESA, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- Reviewing internal control and risk management systems on a regular basis, so major risks are properly identified, managed and disclosed.

 Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; receiving regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.

Audit and Compliance Committee members are appointed in light of their knowledge and experience of accounting, audit or risk management. There are also procedures in place to regularly apprise committee members of regulatory changes in these areas.

The Audit and Compliance Committee has under its supervision an internal audit function to ensure the proper operation of internal reporting and control systems, assess the effectiveness of the ICFR system and report periodically on weaknesses detected and on the progress of scheduled corrective measures.

Transparency Committee

In 2004, ENDESA set up a Transparency Committee, made up of senior executives and the Executive Management Committee (comprising the CEO and country heads for Spain and Portugal and Latin America as well as the heads of Strategy and Business Development, Communication, Legal Counsel, Business Organisation, HR, Economic and Finance, IT and Telecommunications, Procurements and the General Secretariat) along with other members of ENDESA management who are directly involved in the preparation, certification and disclosure of financial information, including the head of Internal Audit. The Transparency Committee is chaired by the CEO.

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

The duties of the Transparency Committee also include assessing the findings submitted to it by ENDESA's Economic and Finance Department with respect to compliance with and the effectiveness of the ICFR system and the internal controls and procedures concerning market disclosures, taking corrective and/or preventative action and reporting to the Audit and Compliance Committee of the Board of Directors in this respect.

ENDESA's Economic and Finance Department

In supporting the Transparency Committee, ENDESA's Economic and Finance Department performs the following IC-FR-related duties:

- Proposing financial reporting policies to the Transparency Committee for approval.
- Evaluating the effectiveness of the controls in place and how well they work, including any breaches of approved internal control policies, on the basis of manager certifications and the reports issued by the Internal Audit Department, reporting its findings back to the Transparency Committee.
- Establishing and disseminating necessary ICFR procedures.
- Overseeing compliance with internal controls over financial reporting and the internal disclosure controls and procedures, issuing periodical reports on its conclusions with respect to the system's effectiveness for presentation to the Transparency Committee.

Internal Control over Financial Reporting Unit

The Economic and Finance Department has a dedicated ICFR Unit tasked with the following duties:

- Communicating approval of ICFR policies and procedures to ENDESA's various subsidiaries and business units.
- Maintaining and updating the ICFR model.
- Keeping control and procedural documentation up to date at all times.
- Defining the flow charts for certifying the evaluation of the effectiveness of the controls and procedures defined in the ICFR model.
- Maintaining the support system underpinning the ICFR model.

All matters relating to internal control over financial reporting and the disclosure of financial information are regulated in a corporate protocol titled "Internal control over financial reporting and internal financial information disclosure controls and procedures" which applies to all ENDESA companies. The purpose of this protocol is to establish the principles and lines of responsibility for the establishment and maintenance of internal controls over financial reporting and internal financial information disclosure controls and procedures in order to ensure their reliability and to guarantee that reports, events, transactions and other material developments are disclosed in an adequate form and timeframe.

The general principles that inspire this protocol are as follows:

• **Reliability principle:** Mandatory and voluntary disclosures must be accurate, precise, complete and op-

portune, based on the events and circumstances known at any point in time.

- **Consistency principle:** Mandatory and voluntary disclosures must be readily comprehensible and must be presented in a manner that is consistent with prior public disclosures.
- **Transparency principle:** All material information must be disclosed immediately following the procedures in place and in keeping with applicable legislation.
- Control over information flows principle: Financial and related information must flow in a controlled environment from the areas generating or obtaining it (business units and/or corporate departments) to the Transparency Committee so as to guarantee timely disclosure as warranted.
- Warranty principle: Each business unit and corporate department must guarantee that the financial and related information generated or supplied by it is reliable in relation to its respective area of expertise.
- Compliance principle: The preparation, handling and disclosure of financial and related information must comply with all prevailing, applicable Spanish and international regulations, particularly those governing the markets where the securities issued by ENDESA and its subsidiaries are listed.
- **Responsibility principle:** Each business unit and corporate department is responsible for applying these general principles within their areas of expertise and for establishing and applying the specific internal controls needed to comply with this rule.

The ICFR unit reports to ENDESA Group's Economic and Finance Department. It performs its work on the basis of the information flow risks, namely any circumstances which could impede or hamper the obtention, handling and dissemination of the financial information in a reliable and timely manner, in accordance with ENDESA's risk map and internal controls, which constitute the body of policies and procedures designed to enable the identification, measurement, processing and recognition of financial and non-financial information in a consistent, reliable and timely manner. ENDESA's ICFR system is evaluated and certified in full every six months. Based on these two evaluations, ENDESA's Internal Audit Department, at the instance of the Audit and Compliance Committee, oversees that the system is functioning properly, assessing its design and effectiveness, reporting to the Committee on any weaknesses detected in the course of its work and on the progress of scheduled corrective measures.

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

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.
- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.
- 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.
- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Design of the organisational structure

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

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

The design of the organisational structure is governed by a corporate protocol called "Organisational changes and executive appointments and remuneration" which applies to all ENDESA companies.

As dictated by this protocol, ENDESA's Business Organisation and HR Department regularly evaluates the entity's organisational structure, proposing the corresponding changes to ENDESA's governing bodies, in line with business or in-

dustry requirements and factoring in adequate separation of duties.

This Department, in collaboration with the respective functional areas, is also responsible for analysing and determining ENDESA's processes, including those relating to the financial reporting function.

A detailed organisational chart itemising all functions at ENDESA is available on the intranet which is accessible by all ENDESA employees.

Codes of conduct

ENDESA has the following internal codes of conduct:

Code of Ethics

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

The Code of Ethics comprises:

- The general principles governing relations with stakeholders that define ENDESA's benchmark business values.
- The standards of conduct for dealing with all groups of stakeholders, enshrining the specific guidelines and rules which ENDESA professionals must adhere to in order to uphold the general principles and avoid unethical behaviour.
- Implementation mechanisms, which describe the tasks assigned to the Audit and Compliance Committee in terms of monitoring and enforcing compliance with the Code of Ethics, the tasks assigned to the Internal Audit Department and the related communication and training efforts.

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

The Code's general principles include that of "Information transparency and integrity", which stipulates that "ENDE-SA's professionals must provide complete, transparent, comprehensible and accurate information such that when enter-

ing a relationship with the Company the implicated parties can take independent decisions that are informed with respect to the interests at stake, the alternatives and the relevant ramifications".

Zero Tolerance Plan Against Corruption

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

In compliance with Principle 10 of the Global Compact¹, of which ENDESA is a signatory, "Businesses should work against corruption in all its forms, including extortion and bribery", ENDESA expressly rejects all forms of corruption, direct and indirect, to which end it has an anti-corruption programme in place.

Charter governing senior management and management and Employees' Code of Conduct

In 2003, the Board approved dedicated rules of conduct targeted at specific groups of employees, namely the "Charter governing senior management" and the "Charter governing executives" to which all employees meeting the respective definitions of Senior Management and Management are bound. Also in 2003, the Board of Directors approved the Employees' Code of Conduct which applies to all ENDESA employees.

These documents are designed to establish the regimes governing how the various members of the respective affected groups must behave. Among other requirements, these rules stipulate the duty of "ensuring that all books, records and accounts of the organisation for which they may be responsible wholly, accurately and duly reflect the nature and authenticity of the transactions".

In addition to the above-listed charters and codes, in 2006, the Board approved the Guidelines for the Application of the Charter Governing Management, the Employees' Code of Conduct and the Incompatibility and/or Non-compete Covenants. This compendium of rules lists the ENDESA bodies with powers to enforce these rules, their duties, the criteria for taking action and the procedures for controlling and processing breaches.

The general behavioural criteria include:

- A non-compete commitment.
- A ban on the rendering of services to other ENDESA companies.
- Exclusive dedication requirement.
- Criteria for avoiding and handling conflicts of interest (procurements, relations with suppliers and other examples).

All of these documents are part of the body of internal rules and regulations published on the corporate intranet and are designed to ensure that all of the ENDESA's stakeholders act in accordance with stipulated business ethics in all their dealings relating to ENDESA's business. These extend to the dealings relating to the reliability of the financial information produced and compliance with applicable legal provisions, in keeping with the Board's guidelines.

Whistle-blowing channel

ENDESA set up its Ethics Channel, which is accessible via its corporate website and intranet to all employees, in July 2005 so that all stakeholders can report, securely and anonymously, any irregular, unethical or illegal conduct which has, in their opinion, occurred in the course of ENDESA's activities. This channel is operated in the five languages of ENDESA's current operating markets.

The procedure in place for using this channel is designed to protect user identity as access to the information received is restricted and managed by an external and independent firm. The Audit Department has established roles and clearance levels for accessing this information for certain Department members.

The Ethics Channel classifies complaints received in accordance with 13 corporate management fields, arranged in keeping with the aspects dealt with in Endesa's Code of Ethics, thereby enabling due monitoring of compliance with the principles of conduct in internal audits.

There are other communication channels in addition to the Ethics Channel such as the ethics hotline, mailing address and e-mail inbox. Complaints received through these channels are fielded to members of the Internal Audit Department or third parties.

Complaints submitted through the Ethics Channel are periodically reported back to ENDESA's Audit and Compliance Committee, apprising the latter of their receipt and the outcome of each investigation and any measures taken in the event that a complaint proves to be grounded.

Training programmes

The Business Organisation and Human Resources Department works together with the Economic and Finance Depart-

¹ Action plan devised by the United Nations in July 2000 on the direct recommendation of its Secretary-General in order to develop a new style of collaboration between the business world and the United Nations by encouraging businesses to adhere to 10 universal principles in the areas of human rights, labour and the environment (www.unglobalcompact.org).

ment to prepare the training schedule for all staff involved in preparing ENDESA's annual consolidated financial statements. This schedule includes ongoing updates on business trends and regulatory developments affecting the activities performed by the various ENDESA companies, specific IFRS skills courses and training regarding ICFR standards and developments.

In 2012, ENDESA's Economic and Finance Department received 43,741 training hours, of which 22.88% were devoted to the acquisition, refreshment and recycling of financial skills and knowledge, addressing matters such as accounting and audit standards, internal controls, risk management and control and regulatory and business matters with which these professionals need to be familiar in order to properly draw up ENDESA's financial information. The rest of the training hours were earmarked to management skills, workplace health and safety matters and IT skills. Of these hours, 34.65% were for language training and 24.61% for leadership and management skills.

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

6.3.2. Risk assessment in financial reporting

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

- · The process exists and is documented.
- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.
- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc.
- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.
- Which of the company's governing bodies is responsible for overseeing the process.

The process for identifying financial reporting risks is documented in the corporate protocol entitled "Internal control over financial reporting and internal financial information disclosure controls and procedures". This pro-

tocol includes a risk map depicting the financial information flows, which is intended to identify any circumstances which could impede or hamper the obtaining, handling and dissemination of the financial information in a reliable and timely manner.

The related risks are classified as follows:

Accounting risks.—Risks, which affect the reliability of the Group's financial information from the standpoints of (i) how the accounting entries per se are handled; and (ii) breach of accounting rules and standards. Accounting risks are as follows:

- · Recognition
- Integrity/completeness
- Use of standardised criteria
- Cut-offs
- Validity
- Presentation
- Timeliness
- Measurement/valuation

HR Management Risks.—The risk that management and staff are not properly guided, operate in absence of a defined culture of control, do not know what to do in the event of a problem, overstep their levels of authority, lack the required resources, training or tools to take decisions or are insufficiently motivated. These risks relate to the following matters:

- Culture of control
- · Knowledge and skills
- Motivation
- Internal fraud
- · Human error

Technology and IT processing risks.—The risk that the IT used in the financial reporting process is insufficient to efficiently and effectively support current and evolving needs, is not working as planned, is compromising the integrity and/or reliability of the financial information produced or is exposing material assets to potential losses or abuses. These risks relate to the following matters:

- · Availability and capacity
- User access control
- The cost of timely information provision

Process risks.—These arise mainly as a function of the following events:

- The quality of the design and functioning of the processes and assigned duties
- · Resource availability
- Effectiveness
- Efficiency

Strategy and structural risks.—The risks posed by ineffective or inefficient business structures within ENDESA with respect to attainment of its targets in terms of financial reporting quality, timeliness and costs. These risks relate to the following matters:

- · Definition of structure and targets
- · Clear lines of reporting
- Compliance with internal rules and policies
- · Effective information and information flows

Exogeneous risks.—These arise as a result of external factors which could trigger material changes in the assumptions underpinning ENDESA's ICFR targets and strategies. These risks relate to the following matters:

- · Legal and regulatory risks
- · Asset safeguarding
- · Technological obsolescence
- External fraud

As part of the bi-annual evaluation of ENDESA's ICFR model, specifically the assessment of how well the internal controls are working, these risk factors are updated as necessary following approval from the Transparency Committee.

Accordingly, as outlined earlier, the financial reporting risk identification and maintenance process covers the following financial information objectives:

- Existence and occurrence
- Integrity/completeness
- Measurement/valuation
- · Presentation, disclosure and comparability
- Rights and obligations

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

The financial reporting risk identification process is overseen by the Transparency Committee and the Audit and Compliance Committee as part of their broad mandates to monitor evaluation of the ICFR model, as enumerated in the basic indicator headed "The entity's control environment" earlier in this report.

Defining the scope of consolidation

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

register also includes holding companies and special purpose vehicles).

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

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

6.3.3. Control activities

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

Procedures for reviewing and authorising the financial information and description of ICFR $\,$

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

The Management Control Unit, which is part of the Economic and Finance Department, also analyses and oversees the information produced.

The Chief Financial Officer analyses the reports received, provisionally certifying the aforementioned financial information for submission to the Transparency Committee.

The Transparency Committee analyses and debates the information received from the Economic and Finance Department. Once it approves the information received, it is sent to the Audit and Compliance Committee.

The Audit and Compliance Committee oversees the financial information presented to it. For the accounting closes, which coincide with the end of each six-month financial period, the Audit and Compliance Committee also receives informa-

tion from ENDESA's auditor on the results of the work it has performed.

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

The ICFR report, meanwhile, is prepared annually by the Economic and Finance Department and presented to the Transparency Committee. Once approved by the Transparency Committee, the report is reviewed and approved by the Audit and Compliance Committee and subsequently approved by the Board of Directors prior to disclosure to the market.

Documentation and flow charts of activities and controls

ENDESA's ICFR model is based on the COSO Model (Committee of Sponsoring Organizations of the Treadway Commission of the US), so as to provide reasonable assurance with respect to compliance with the three major categories of targets enshrined by this model:

- Effectiveness and efficiency of operations
- · Reliability of financial reporting
- · Compliance with applicable laws and regulations

The system's starting point are the Management Controls or "Entity Level Controls" (hereinafter, "Management Controls" or "ELC") and "Company Level Controls" (hereinafter, "CLC"), which describe the ENDESA policies and guidelines designed to protect its control system. The structural elements of the control system are interrelated across all divisions/companies. These controls are evaluated directly by ENDESA's senior management every six months.

The entity level controls emphasise the following five interrelated components:

- 1) Monitoring
- 2) Information and communication
- 3) Control activities
- 4) Risk assessment
- 5) Control environment

They guarantee an adequate level of internal control at ENDESA and serve as mitigating controls if necessary.

ENDESA has defined a Business or Corporate Process Risk Map; these risks are common to its subsidiaries. The macro processes encompassing all of the ENDESA Group's activities are:

- 1) Sales management
- 2) Human resources

- 3) Procurement, maintenance and investments
- 4) Energy settlements
- 5) Treasury and finance
- 6) Legal, property and risk management
- 7) Accounting
- 8) IT

At present, ENDESA's nine macro processes are sub-divided into a total of 840 processes, which are adapted to the specifics of the business operations in each country and which affect a total of 236 organisational units at ENDESA.

ENDESA's Economic and Finance Department, through its Internal Control Unit, manages and continually updates the flow charts depicting each of these processes. All organisational changes imply the need to review the control model in order to assess their impact and make any changes required to ensure operational continuity. The basic components of each process are:

- Control objectives. Control requirements that must be met in each function of the business cycle or process in accordance with the definition of internal control. The idea is to attempt to verify and evaluate the veracity of the accounting and non-accounting information and to determine whether all of the entity's financial information is being supplied to its users, addressing the accounting imperatives of completeness, cut-off, presentation, recognition, validity and measurement.
- Risks. The possibility that an event or action could affect
 the organisation's ability to achieve its financial reporting
 objectives and/or to implement its strategies successfully. As indicated in section 3.2 above, ENDESA has a risk
 map which includes the risk of fraud.
- Control activities. Policies, procedures and practices applied by the entity's staff, software applications and other resources that are put in place to ensure that the control targets are achieved and risk mitigation strategies are executed. The Process Level Controls (hereinafter, "PLCs") must be integrated into process operations and are designed to ensure that risk is managed properly, with a focus on risk prevention, detection and correction. Specifically with respect to IT systems, the controls in place are called IT General Controls (hereinafter, "ITGCs"). Depending on how they are designed, control activities may be preventive or detective, manual (staff-driven) or automated (IT-driven).

The process and IT control activities constitute the cornerstone on which the entire control model is articulated and cover the following matters:

- · Integrity and ethics
- Professional competence commitment
- · Management philosophy and style
- Organisational structure
- · Establishment of lines of authority and responsibility
- · HR policies and practices.

The control activities (PLCs & ITGCs) guarantee compliance with, in the ordinary course of business and in respect of all consolidated financial statement headings, ENDE-SA's control targets, in accordance with the corporate protocol titled "Internal control over financial reporting and internal financial information disclosure controls and procedures".

At present, a total of 3,831 control objectives, 4,335 risks and 5,875 process control activities are associated with the totality of processes. A further 535 Entity Level Controls affect 72 organisational units. Overall, the level of coverage of the main consolidated financial statement headings (total assets, revenue, EBITDA, leverage, etc.) stands at 90%.

All information relating to the internal control model is documented in the IT tool called Management Internal Control (hereinafter, "MIC").

The Internal Control Unit has sole responsibility for management of the MIC's central catalogue. This catalogue encompasses the following aspects:

- List of all processes with associated control targets and risks.
- Audit plan with the pertinent remarks for each item.
- List of Entity Level Controls.
- Definition of the entity's hierarchical business structure (organisational units).
- Allocation of user profiles to each MIC user.
- Centralised task planning: evaluation/certification, testing and signature gathering.

The ICFR operation is divided into the following stages, which are planned on a centralised basis for ENDESA and its subsidiaries:

Evaluation of control activities: The evaluator performs tests to verify and evaluate the correct application of all the control activities. This same party identifies and reports any weaknesses detected so that they are addressed.

- Validation of control activities: The party responsible for the process checks each of the control activities validated, verifies the weaknesses highlighted for correction and coordinates the corresponding action plan with the Internal Control Unit.
- Certification by the Organisational Units: The responsible party certifies with his/her signature the evaluation and validation of the control activities, taking responsibility for the actions needed to remedy the shortcomings included in the action plan.
- **Evaluation of Entity Level Controls:** These are evaluated by the parties assigned this responsibility.

The ELCs and CLCs are evaluated by Senior Management, while the PLCs are evaluated at the business level and reach Senior Management by means of successive rounds of certification.

All of these phases are monitored and supported by the Internal Control Unit. The conclusions regarding the resulting compliance and effectiveness are reviewed and assessed by the Internal Audit Department and the Economic and Finance Department. The latter presents the findings to the Transparency Committee which evaluates and approves them, presenting them to the Audit and Compliance Committee for analysis and approval along with the ICFR verification report issued by the Internal Audit Department.

The control weaknesses detected are classified as:

- Material weaknesses in those cases where the weakness or series of weaknesses lead to the, not remote, possibility of there being a material error in the annual financial statements.
- Significant weaknesses in those cases where the weakness or series of weaknesses lead to the, not remote, possibility of there being a material error in the annual financial statements.
- Insignificant weaknesses are those, which will in no event cause a material error in the annual financial statements.

Each control weaknesses detected in the ICFR system results in a specific action plan. The Internal Control Unit monitors, controls and reports to the Transparency and Audit and Compliance Committees on these weaknesses until they are definitively resolved.

The specific review of the critical judgements, estimates, appraisals and projections required to quantify certain assets,

liabilities, expenses and commitments recognised and/or disclosed in the annual financial statements are performed by the Economic and Finance Department, the Planning and Control Department and the Executive Management Committee for each closing of accounts. The assumptions and estimates that are based on business performance parameters are reviewed and analysed together with the corresponding business units.

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

ENDESA's IT and Telecommunications Department is responsible for the IT and telecommunications systems for all of ENDESA's businesses and geographic markets. ENEL Energy Europe, S.L.U. (the company which owns 92.06% of ENDESA, S.A. and which is in turn 100%-owned by the ENEL Group) carries on activities in the telecommunications and IT systems sector and comprises the physical assets, human resources and third-party contracts required to carry on these activities and to undertake the integrated management of these functions for the ENEL Group under the aegis of the parent group's overall strategy for unlocking synergies. In spite of this, the responsibility for this function and for the development and execution of the operating procedures remains located at ENDESA and is therefore specified and certified within ENDESA's ICFR system.

The multiple and diverse duties attributed to the IT and Telecommunications Department include the definition and monitoring of the security policies and standards for IT infrastructure and software, which include the IT aspects of the internal control model.

ENDESA's internal control model encompasses the IT processes, which in turn include the IT environment, architecture and infrastructure, and the applications, which affect transactions with a direct impact on the entity's key business processes and, ultimately, its financial information and reporting processes. These controls can be implemented by means of automated programming or using manual procedures.

ENDESA has an internal control model for all key IT systems used to prepare financial information, which is designed to guarantee the overall quality and reliability of the financial information produced at each close and, by extension, the information disclosed to the market.

The IT system internal control model comprises nine processes:

- Physical security of the data processing centres (hereinafter "DPCs")
- 2) Logical security
- 3) Project management and production support
- 4) Operations management and service level agreements (hereinafter "SLAs") with suppliers
- 5) Data back-up and recovery
- 6) Communications infrastructure projects
- 7) ICT Governance I and II
- 8) Processes and procedures
- 9) Strategy and quality processes

These processes are in turn divided into sub-processes with the necessary specifics that guarantee a correct level of control of the IT system and ensure the integrity, availability and confidentiality of the Company's financial information.

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

IT environment

- The IT and Telecommunications Department's organisational structure and description of functions
- Application inventory and systems map
- Telecommunications network map

Management of application changes

- Management of demand for software developments and functional improvements
- Specification, authorisation and monitoring of change requests
- Software and systems infrastructure development
- Performance testing during rollout phase
- Application launch
- Documentation and training

IT operations and management

- · Operations management
- Management of back-up files
- Incident management
- Disaster contingency and recovery plans for critical systems
- Service level agreements

Physical and logical security

- · Security operations management
- · User access control
- · Physical security of data processing centres

In terms of IT security, ENDESA has a corporate protocol called "Information security" in place, which establishes and

defines the operating principles and bodies responsible for IT security and the management of decision rights in relation to critical financial information.

In 2007, ENDESA set up the Information Security function in response to requirements dictated by legislative, technology and market demands. The Decision Rights Management function was also set up to guarantee regulatory compliance in the financial arena, while functional incompatibilities were defined so that a given person cannot dominate a critical process.

Information Security is the function tasked with protecting each Group company's information assets in order to achieve and maintain the desired level of security and to enforce the correct use of decision rights so as to reduce internal fraud.

The Management of Decision Rights and Functional Incompatibilities is the function tasked with identifying, managing and controlling the specific clearance levels for enabling decision-making in the business environment.

The basic principles of ENDESA's Information Security Policy are:

- Information and knowledge are core strategic assets.
- Information security is everyone's responsibility: those generating information, those using it, those processing it and those accessing it
- Familiarity with all the information handled within the organisation and awareness of its importance and vulnerability.
- Personal data are exclusively personal.
- The value of information lies with its veracity: it must be kept intact.
- Data credibility is predicated on the reliability of the source.
- The most critical business information must be available at all times.
- Disclosure of confidential information poses a grave threat to the entity and its shareholders.
- Safe information technology, communications and infrastructure are the bedrock of secure information.
- The cost of security measures must be proportionate to the value of the data they protect.

The corporate procedure called "Criteria for Safeguarding Information Assets", establishes the method for identifying, classifying, evaluating and analysing the risks to which the Group's information may be exposed and the fundamental obligations to be borne in mind by each of the organisational units intervening in the management of its information assets.

The information security management process is continually fine-tuned in an effort, among other things, to maintain optimum security levels. The ultimate goal of this process is to maintain security levels within acceptable thresholds, implementing or developing controls to mitigate risks more effectively.

ENDESA's proprietary methodology allows for standardised data identification, classification and evaluation and subsequent analysis of the risks to which the Group's information is exposed. It further enables definition of the action plans required to place each information asset at acceptable security levels for the entity.

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

When ENDESA outsources an activity involving the issue of financial information, it requires that the supplier provide a guarantee attesting the internal control measures in place for the activities performed. In specific cases, such as the Data Center, service providers are asked to issue a Type II service auditor's report prepared in accordance with the Public Company Accounting Oversight Board's (PCAOB) SAS 70. This class of report allows ENDESA to check whether the service provider's control objectives and control activities have worked during the corresponding time horizon.

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

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

6.4. Information and communication

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

Responsibility for application of ENDESA's accounting policies for all its geographic markets is centralised in ENDESA's Economic and Finance Department.

ENDESA's Economic and Finance Department has an Accounting Policies Unit which is specifically in charge of analysing the International Financial Reporting Standards (hereinafter, "IFRS"). This Unit's functions are as follows:

- · Defining ENDESA's accounting policies.
- Analysing executed or planned one-off transactions to determine the appropriate accounting treatment in line with ENDESA's accounting policies.
- Monitoring the new standards being worked on by the International Accounting Standards Board (hereinafter, "IASB"), any new standards approved by the IASB and the related European Union endorsement process, assessing the impact their implementation will have on the Group's consolidated financial statements.
- Resolving any query made by any subsidiary regarding application of ENDESA's accounting policies.

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

If application of accounting standards is deemed particularly complex, ENDESA's Finance Department informs its auditor of the outcome of its internal analysis, asking the auditor to provide an opinion on the conclusions reached.

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

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

ENDESA has an IT tool in place to cover the reporting requirements associated with its separate financial statements, on the one hand, and to facilitate the consolidation process and subsequent analysis, on the other. This tool manages to centralise into a single system and under a single audit plan all the information corresponding to the separate financial statements of all ENDESA subsidiaries, including the notes and additional disclosures needed to prepare the annual financial statements.

This system is managed centrally under the scope of the ENEL Group. The technical adequacy of the application, its internal controls and management by the ENEL Group have been evaluated and checked by ENDESA which has found it to be suitable to the task of producing the consolidated financial statements. In addition, every year ENDESA engages an independent expert to certify that the tool does not present any material shortcoming with respect to the process of generating the ENDESA consolidated financial statements.

The data is uploaded into this consolidation system automatically by the Financial Information System (transactional), which is also centralised and in place in virtually all ENDESA companies.

In turn, the ICFR model is supported by a single IT system for ENDESA which is managed on a centralised basis and produces all the information needed to draw conclusions with respect to effectiveness of the model.

6.5. Monitoring

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

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

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

- In the event of process changes, whether the identification of control activities has been duly updated and the new control activities sufficiently cover the process control objectives.
- Whether all weaknesses in the control system design or functioning have been detected. A weakness refers to an incident that implies that the control system may not be able to guarantee with reasonable assurance the ability to acquire, prepare, summarise and disclose the Company's financial information.
- Whether the actual/potential impact of the aforementioned weaknesses has been evaluated and any required mitigating control activities put in place to guarantee the reliability of the financial information, notwithstanding the existence of these weaknesses.
- The existence of action plans for each weakness identified.

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

In turn, the Internal Audit Department, at the instance of the Audit and Compliance Committee, as set down in its annual work programme, oversees the correct functioning of the ICFR system, evaluating its design and effectiveness. The results are reviewed by the Audit and Compliance Committee.

As of 31 December 2012, no material weaknesses in the ICFR system were identified in the evaluation process carried out by the Audit Department. During the process, 22 entity level controls (6 in Spain and 16 in Latin America) and 2,737 control activities (708 in Spain and 2,029 in Latin America) were analysed, identifying 27 control weaknesses and areas of improvement which do not have a material impact on financial reporting quality. These gave rise to a seven action plans in Spain and 20 in Latin America.

In addition, over the course of the year, progress on the actions plans put in place by ENDESA to address any shortcomings identified (see above) is monitored and reported to the Audit and Compliance Committee.

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

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

As of 31 December 2012, there were no material ICFR weaknesses. During the process, 535 entity level controls (88 in Spain and 447 in Latin America) and 5,875 control activities (1,346 in Spain and 4,529 in Latin America) were analysed, identifying 13 control weaknesses and areas of improvement that do not have a material impact on financial reporting quality. These gave rise to nine action plans in Spain and four in Latin America.

In keeping with the foregoing, ENDESA's management believes that the ICFR model for the period elapsing between 1 January and 31 December 2012 proved effective and that the controls and procedures in place to provide reasonable assurance that the information disclosed by the Group to the market is reliable and adequate are similarly effective.

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

The internal audit function reports regularly to Senior Management and the Audit Committee on any material internal control weaknesses identified in the semi-annual ICFR assessments and the internal audit work performed during the year, similarly reporting on the status of any action plans put in place to mitigate these weaknesses.

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

The auditor also reports to the Audit and Compliance Committee twice a year on the conclusions drawn from its review of ENDESA's financial statements, additionally presenting any matter deemed relevant.

The auditor presents Senior Management and the Audit and Compliance Committee with a report each year detailing the internal control weaknesses uncovered in the course of its work. This report incorporates all the feedback provided by ENDESA's management and details of any action plans set in motion to correct the corresponding internal control weaknesses.

6.6. Other relevant information

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

6.7. External auditor report

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

In keeping with article 61 bis (h) of Spain's Securities Market Act (Law 24/88, of 28 July 1988), ENDESA is including in its 2012 Annual Corporate Governance Report a description of the main features of its internal control and risk management systems with regard to statutory financial reporting, following the structure recommended in the draft CNMV Circular for enacting the aforementioned article.

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

ENDESA Group

Auditor's report on the "Information relating to Internal Control Over Financial Reporting (ICOFR-SCIIF in Spanish)" for 2012

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

Auditor's report on the "Information relating to Internal Control Over Financial Reporting (ICOFR-SCIIF in Spanish)" of the ENDESA Group for 2012

To the Directors,

At the request of the management of ENDESA, S.A. (hereinafter the Company), and in accordance with our proposal dated January 23, 2013, we applied certain procedures to the accompanying "ICOFR-related information" included in the additional information to the 2012 Annual Corporate Governance Report for the listed ENDESA, S.A. companies and subsidiaries (hereinafter the ENDESA Group), which summarizes the Company's internal control procedures regarding financial information.

Securities Market Law 24/1988, modified by Spanish Law 2/2011, of March 4, 2011, the Sustainable Economy Act, requires that for the financial years from January 1, 2011 onwards, Annual Corporate Governance Reports (hereinafter ACGR) include a description of the main characteristics of the internal control and risk management systems for issuing regulated financial information. On October 26, 2011, the Spanish Securities Exchange Commission (CNMV), published its draft circular modifying the Annual Corporate Governance Report model to be submitted, to include the manner in which an entity must describe the main characteristics of its ICOFR. In its letter dated December 28, 2011, the Spanish Securities Exchange Commission (CNMV) reiterated the aforementioned legal modifications to be taken into account when preparing ICOFR information, until the CNMV's circular defining the new IAGC model is published.

The CNMV's draft circular Subsection 7, regarding ICOFR contents of the Annual Corporate Governance Report model requires entities to mention whether their ICOFR description was reviewed by an external auditor, and if so, to include the report; the professional entities representing auditors published their Draft Guidelines and corresponding model audit report on October 28, 2011 (hereinafter Draft Guidelines). Also, on January 25, 2012, in its Circular E01/2012, the Spanish Official Register of Auditors of Accounts established additional considerations regarding the above.

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

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

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Medrid Inscrita en el Registro Mercantil de Madrid al Tomo 12749, Libro 0, Folio 215, Sección 8º, Hoja M-23123, Inscripción 116. CJ.F. B-78970505



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

For the purpose of issuing this report, we exclusively applied the following specific procedures described in the Draft Guidelines for reviewing Corporate Responsibility Reports, which indicate the work to be carried out, its scope, and contents. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Entity's 2012 financial data described in the accompanying ICOFR information. Consequently, had we performed procedures additional to those shown below, or carried out an audit or review of the internal review system of regulated annual financial information, other matters might have come to our attention which would have been reported to you.

Since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an opinion in the terms established therein.

The following procedures were applied:

- Read and comprehend the information prepared by the Entity regarding the accompanying ICOFR and evaluate whether it encompasses all information required as established in the model Annual Corporate Governance Report in the CNMV's draft circular.
- Question personnel in charge of preparing the information described in the above section 1, to:

 (i) obtain an understanding of its preparation process;
 (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions
 (iii) gather information regarding whether the described control procedures are implemented and functioning within the ENDESA Group.
- Review the explanatory documentation supporting the information described in section 1
 above, which should basically include everything directly provided to those in charge of
 preparing the descriptive ICOFR information. This documentation includes reports prepared as
 part of the internal audit, top management and other internal/external specialists in their role
 supporting the audit committee.
- Compare the information contained in section 1 above with the ENDESA Group's ICOFR
 knowledge obtained as a result of performing the procedures within the framework of auditing
 the financial statements.



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- Read the minutes of the Board Meetings, Audit Committees, and other Company commissions in order to evaluate the consistency between issues described in the minutes related to the ICOFR and information discussed in section 1.
- Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

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

This report was prepared exclusively within the context of the requirements of Securities Market Law 24/1988, modified by Spanish Law 2/2011, of March 4, 2011, the Sustainable Economy Act, as well as those established in the CNMV's draft circular dated October 26, 2011, for the purposes of describing the ICOFR in the Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

José Luis Perelli Alonso

February 26, 2013







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