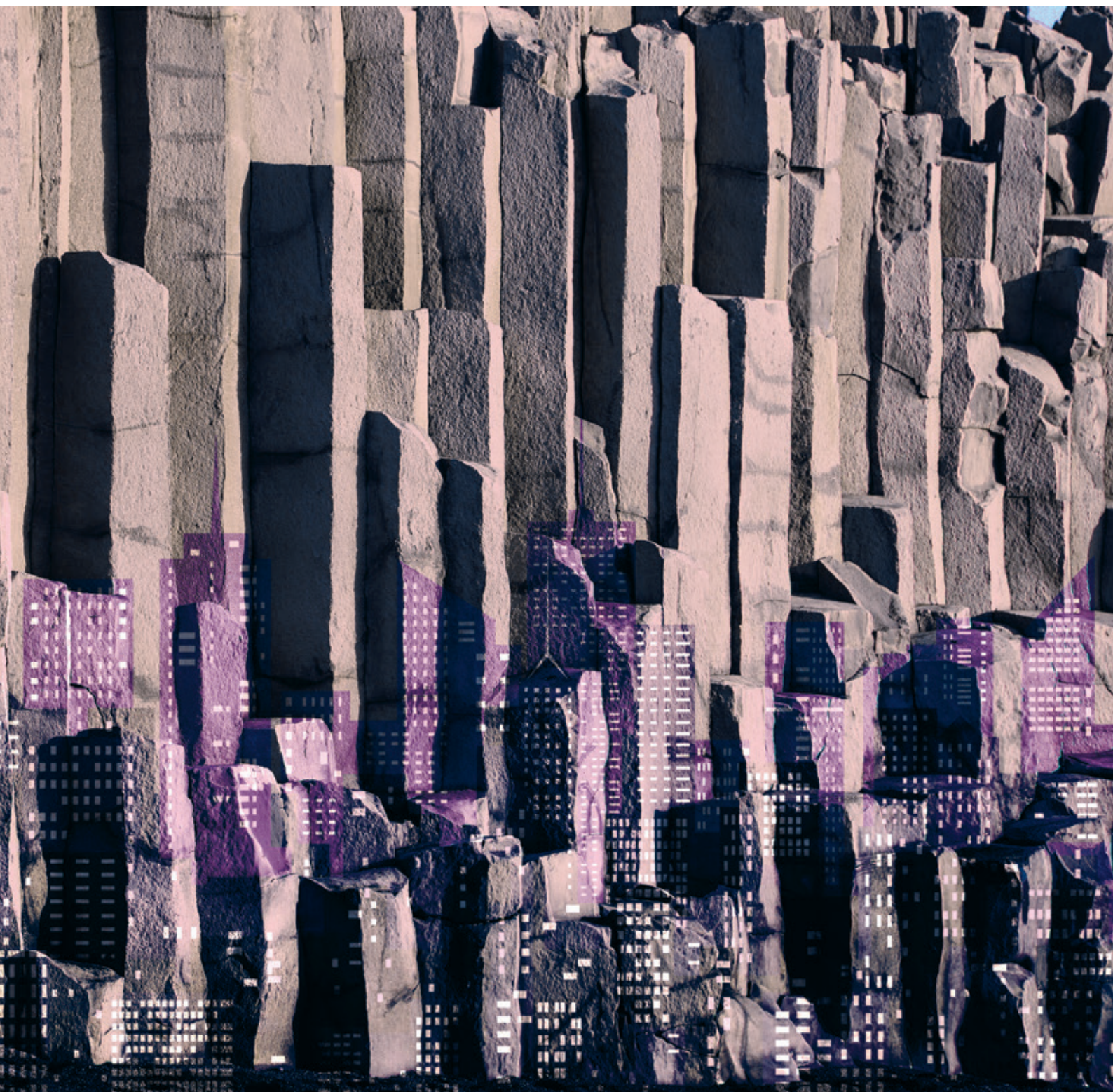


Corporate Governance. 2014 Annual Report



2014 Annual Corporate Governance Report
(Spanish Securities Exchange Commission Circular 5/2013,
of 12 June-Appendix I)
Book concerning the Director's Report of the Financial
Statements of Endesa, S.A. and the Director's Report of
the Financial Statements of Endesa, S.A. and subsidiaries,
and is an integral part of them.



Corporate Governance. 2014 Annual Report

Listed Corporations



Issuer's particulars

END OF RELATIVE FINANCIAL YEAR: 31/12/2014

COMPANY TAX ID: A-28023430

CORPORATE NAME: ENDESA, S.A.

REGISTERED OFFICE: Ribera del Loira, 60. Madrid - CP 28042





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A. Ownership structure

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

Date of last modification	Share capital (€)	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 company 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 Iberoamérica, S.L.U.	742,647,763	0	70.14%
Capital Research and Management Company	58,564,859	0	5.53%
Enel, S.P.A.	0	742,647,763	0.00%

Name or corporate name of indirect owner of holding	Through: Name or corporate name of direct owner of holding	Number of voting rights
Enel, S.P.A.	Enel Iberoamérica, S.L.U.	742,647,763

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

Name or corporate name of shareholder	Dated of the transaction	Description of the transaction
Enel Iberoamérica, S.L.U.	25/11/2014	Decrease in shareholding to below 75%
Capital Research and Management Company	26/11/2014	Increase in shareholding to over 5%

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

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Alejandro Echevarría Busquet	200	0	0.00%
Miquel Roca Junyent	363	0	0.00%
Borja Prado Eulate	15,690	0	0.00%
José Damián Bogas Gálvez	2,318	0	0.00%
Alberto de Paoli	10	0	0.00%
Francesco Starace	10	0	0.00%
Livio Gallo	0	0	0.00%
Enrico Viale	2,500	0	0.00%
Helena Revoredo Delvecchio	332	0	0.00%
% of total voting rights held by the Board of Directors			0.00%

Complete the following tables on members of the company's board of directors who hold rights over shares in the Company.

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:

Related-party name or corporate name	Type of relationship	Brief Description
Enel Iberoamérica, S.L.U. Enel, S.P.A.	Corporate	Enel, S.P.A. owner of 100% of Enel Iberoamérica, S.r.l.

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:

Related-party name or corporate name	Type of relationship	Brief Description
Enel, S.P.A. Endesa, S.A.	Corporate	Endesa Brasil, S.A. (Endesa Group subsidiary) and Enel Brasil Participações Ltda (Enel Group subsidiary) hold 0.04% and 99.96% of the shares in Enel Green Power Modelo I Eólica, S.A. and Enel Green Power Modelo II Eólica, S.A., respectively.
Enel, S.P.A. Endesa, S.A.	Corporate	Endesa, S.A. and Enel Investment Holding BV each hold 50% of the share capital of Enel Insurance NV. In turn, Enel Insurance NV owns 100% of the share capital of Compostilla RE. S.A.
Enel, S.P.A. Endesa, S.A.	Corporate	Endesa Ingeniería, S.L.U. (Endesa Group subsidiary) and Enel Sole, S.r.l. (Enel Group subsidiary) each own 50% of the following JVs: Mérida, Abarán, Rincón de la Victoria, Bolillos, Gaianes, Castro del Río, Muro de Alcoy, Fuente Álamo, Mora de Ebro, Los Alcázares, Vélez Rubio, Écija, Almodóvar del Río and Manacor. Endesa Ingeniería, S.L.U. (10%), Endesa Energía, S.A.U. (25%) (Endesa Group subsidiary) and Enel Sole, S.r.l. (25%) (Enel Group subsidiary) are partners in the Móstoles JV.
Enel, S.P.A. Endesa, S.A.	Corporate	Endesa Generación, S.A.U. (Endesa Group subsidiary) and Enel S.p.A. hold 40.99% and 4.32% of the shares in Elcogas, S.A., respectively.
Enel, S.P.A. Endesa, S.A.	Corporate	Endesa Generación, S.A.U. (Endesa Group subsidiary) and Enel Green Power International BV (Enel Group subsidiary) own 40% and 60% of the share capital of Enel Green Power España, S.L., respectively.

A.6. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). 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 amendment to or termination of such agreements or concerted action during the year:

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

Yes

Name or Corporate Name	Comments
Enel Iberoamérica, S.L.U.	Enel, S.P.A. is fully integrated in Enel Iberoamérica.

A.8. Fill out the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00%

(*) Through:

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

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

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 (LSA in Spanish).

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 Corporate Enterprises Act under the following conditions:

a) 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. Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

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.

No

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

A.12. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

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 laws that regulate 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 listed on Spanish stock exchanges.

B. General Shareholders' Meeting

B.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 Spanish Corporate Enterprises Act (LSC).

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC.

No

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

B.3. Indicate the rules for modifying the company's by-laws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

Pursuant to article 26 of the Bylaws, in order for the General or an Extraordinary Shareholders' Meeting to validly agree on the amendment to the Corporate Bylaws, on first call shareholders representing at least 50% of the subscribed capital with voting rights must be present. At second call, 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.

B.4. Indicate the attendance figures for the general shareholders' meetings held during the year and the preceding year.

Date of general meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
22/04/2013	92.07%	1.29%	0.00%	0.03%	93.39%
19/05/2014	92.08%	2.37%	0.00%	0.01%	94.46%

21/10/2014	92.08%	2.70%	0.00%	0.09%	94.87%
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B.5. Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

No

B.6. Indicate whether decisions involving a fundamental corporate change ("subsidiarisation", acquisitions/disposals of key operating assets, operations that effectively entail the company's liquidation) must be submitted to the General Shareholders' Meeting for approval or ratification even when not expressly required under company law.

No

B.7. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

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

- A link appears directly on the home page to: Corporate Governance.
- This section can also be accessed from: Investors-Corporate Governance.

To access information on the General Shareholders' Meetings, a direct banner link is posted on the home page from the time the meeting is called until it is held. Once the meeting has been held, the information can be accessed through two channels:

- Corporate Governance-Shareholders Meetings
- Investors-Corporate Governance - Shareholders Meetings

C. Company Management Structure

C.1. Board of Directors

C.1.1. List the maximum and minimum number of directors included in the bylaws.

Maximum number of directors	15
Minimum number of directors	9

C.1.2. Complete the following table with Board members' details.

Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Alejandro Echevarría Busquet		Director	25/06/2009	22/04/2013	Resolution of the General Shareholders' Meeting
Miquel Roca Junyent		Director	25/06/2009	22/04/2013	Resolution of the General Shareholders' Meeting
Borja Prado Eulate		Chairman	20/06/2007	09/05/2011	Resolution of the General Shareholders' Meeting
José Damián Bogas Gálvez		Chief Executive Officer	07/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Alberto de Paoli		Director	04/11/2014	04/11/2014	Cooptation
Francesco Starace		Vice Chairman	16/06/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Livio Gallo		Director	21/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Enrico Viale		Director	21/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Helena Revoredo Delvecchio		Director	04/11/2014	04/11/2014	Cooptation
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
Fulvio Conti	Proprietary	16/06/2014
Massimo Cioffi	Proprietary	16/06/2014
Gianluca Comin	Proprietary	16/06/2014
Andrea Brentan	Executive	07/10/2014
Luigi Ferraris	Proprietary	04/11/2014
Salvador Montejó Velilla	Executive	04/11/2014

C.1.3. Complete the following tables on Board members and their respective categories.

Executive Directors

Name or corporate name of director	Committee proposing appointment	Position held in the company
Borja Prado Eulate	Appointments and Remuneration Committee	Chairman
José Damián Bogas Gálvez	Appointments and Remuneration Committee	Chief Executive Officer
Total number of executive directors		2
% of the board		22.22

External Proprietary Directors

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Alberto de Paoli	Appointments and Remuneration Committee	Enel, S.P.A.
Enrico Viale	Appointments and Remuneration Committee	Enel, S.P.A.
Francesco Starace	Appointments and Remuneration Committee	Enel, S.P.A.
Livio Gallo	Appointments and Remuneration Committee	Enel, S.P.A.
Total number of proprietary directors		4
% of the board		44.44%

Independent External Directors

Name or corporate name of director	Profile	
Alejandro Echevarría Busquet	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.	
Miquel Roca Junyent	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.	
Helena Revoredo Delvecchio	Holds a degree in Business Administration from the Catholic University of Buenos Aires. Senior management programme (PADE) at the IESE business school.	
Total number of independent directors		3
% of the board		33.33%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

Yes

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

Name or corporate name of director:

Miquel Roca Junyent.

Description of the relationship:

The Roca Junyent Law Office provides services to the Endesa subsidiary Endesa Distribución Eléctrica.

Reasons:

The Board of Directors of Endesa, S.A. considers that Miquel Roca Junyent carries out his duties as Independent Director of Endesa, S.A. irrespective of the contractual relationship between Endesa and the Roca Junyent Law Office. This appointment was approved by the Audit and Compliance Committee and the Board of Directors, without the involvement of Mr. Roca, and the fees received by the Roca Junyent Law Office from Endesa, S.A. are not significant.

Name or corporate name of director:

Helena Revoredo Delvecchio

Description of the relationship:

In 2012, Endesa contracted security services from, among other companies, Prosegur, the chair of which, Ms. Revoredo, has been an independent director of Endesa since 4 November 2014.

Reasons:

The Board of Endesa, S.A. understands that Helena Revoredo performs her functions as an independent director of Endesa, S.A. without prejudice to the commercial relationship between Prosegur and Endesa and the investees thereof, given the ordinary nature of the service and that it is provided under market conditions. Ms. Revoredo was not involved in decisions or negotiations involving these contracts, which were agreed prior to her appointment as a director. Furthermore, the value of these services is not significant.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

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.

C.1.4. Complete the following table on the number of female directors over the past four years and their category.

	Number of female directors				% of total directors of each type			
	2014	2013	2012	2011	2014	2013	2012	2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	0	0	33.33%	0.00%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	1	0	0	0	11.11%	0.00%	0.00%	0.00%

C.1.5. Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

We have an active process in place for searching for candidates to ensure the selection of female directors. This resulted in the appointment of Helena Revoredo Delvecchio as an independent director.

C.1.6. Explain the measures taken, if applicable, by the nomination committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

The Appointments and Remuneration Committee ensures that the selection procedure does not suffer from any implicit bias, and requires that female directors are actively sought.

On 4 November 2014, the Board of Directors of Endesa appointed Helena Revoredo Delvecchio as an independent director.

The Board of Directors of Endesa ensures that the selection procedures for its members encourage diversity of gender, experience and knowledge, and do not suffer from any implicit bias that might result in discrimination of any kind, and, in particular, that they facilitate the selection of female directors.

When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of reasons

This situation is exclusively due to chance, without any pre-determined reasons or intention.

C.1.7. Explain how shareholders with significant holdings are represented on the board.

70.144% of Endesa's share capital is held by a single shareholder, the Italian company Enel, S.p.A. A further 5.531% is held by the Capital Research and Management Company. There are no other significant shareholders among the remaining 24.325% of share capital.

The Board of Directors of Endesa, S.A. comprises nine members: three independent directors, four proprietary directors

(representatives of Enel, S.p.A.), and two executive directors (Chairman and Chief Executive Officer), who were appointed to their posts with Enel, S.p.A. as the controlling shareholder.

C.1.8. Explain, if 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

C.1.9. 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.

Name of director	Reasons for resignation
Andrea Brentan	Mr. Brentan gave the reasons for his resignation at the board meeting held on 7 October 2014. The resignation was justified by his strategic contribution to the design of ENDESA's corporate restructuring and its consolidation in the Spanish market having been completed. All board members were present at the meeting, and having heard the reasons for the resignation, considered that there was no need for any written record of it other than the Minutes.
Fulvio Conti	Mr. Conti submitted a letter explaining that the reason for his resignation was the ending of his mandate as a director of Enel S.p.A. This letter informed all members of the Board, who were thus understood to be notified at the meeting held on 16 June 2014.
Gianluca Comin	Mr. Comin submitted a letter informing all members of the Board of his resignation as he was leaving the Enel Group, and they were thus understood to be notified at the meeting held on 16 June 2014.
Massimo Cioffi	Mr. Cioffi submitted a letter explaining that the reason for his retirement was that he was leaving the Enel Group. This letter informed all members of the Board, who were thus understood to be notified at the meeting held on 16 June 2014.
Luigi Ferraris	Mr. Ferraris gave the reasons for his resignation at the board meeting held on 4 November 2014. Mr. Ferraris will now be performing another role in the Enel Group. All board members were present at the meeting, and having heard the reasons for the resignation, considered that there was no need for any written record of it other than the Minutes.

Name of director	Reasons for resignation
Salvador Montejo Velilla	Mr. Montejo gave the reasons for his resignation as being due to the internal reorganisation in Endesa at the board meeting held on 4 November 2014. Mr. Montejo will continue to act as the secretary of the Board. All board members were present at the meeting, and having heard the reasons for the resignation, considered that there was no need for any written record of it other than the Minutes.

C.1.10. Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director	Brief Description
José Damián Bogas Gálvez	Since 7 October 2014, the Board of Directors has delegated all powers of the Board that could be delegated legally and as per the bylaws to the Chief Executive Officer. The Chief Executive Officer of Endesa, S.A., José Damián Bogas Gálvez, shall exercise all powers delegated to him jointly with the Executive Committee of the Board of Directors, as applicable.

C.1.11. 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 of director	Corporate name of the group company	Position
José Damián Bogas Gálvez	Endesa Generación II, S.A. (Sociedad Unipersonal)	Joint director
José Damián Bogas Gálvez	Endesa Operaciones y Servicios Comerciales, S.L. (Sociedad Unipersonal)	Joint director
José Damián Bogas Gálvez	Enel Green Power España, S.L.	Director

C.1.12. 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 of director	Corporate name of the group company	Position
Alejandro Echevarría Busquet	Compañía Vinícola del Norte de España	Director
Miquel Roca Junyent	ACS, S.A.	Director
Helena Revoredo Delvecchio	Prosegur Compañía de Seguridad, S.A.	Chairman
Helena Revoredo Delvecchio	Banco Popular Español, S.A.	Director
Helena Revoredo Delvecchio	Mediaset España Comunicación, S.A.	Director
Alejandro Echevarría Busquet	Mediaset España Comunicación, S.A.	Chairman
Borja Prado Eulate	Mediaset España Comunicación, S.A.	Director

C.1.13. Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

No

C.1.14. Indicate the company's general policies and strategies that are reserved for approval by the board of directors in plenary session:

	Yes	No
Investment and financing policy	X	
Design of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plans, management targets and annual budgets	X	
Remuneration and evaluation of senior officers	X	
Risk control and management, and the periodic monitoring of internal information and control systems	X	
Dividend policy, as well as the policies and limits applying to treasury shares	X	

C.1.15. List the total remuneration paid to the board of directors in the year.

Remuneration paid to the board of directors (thousands of Euros)	16,951
Amount of total remuneration corresponding to accumulated pension rights (thousands of Euros)	9,127
Total board remuneration (thousands of Euros)	26,078

C.1.16. 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	Position
Francisco Borja Acha Besga	General Manager Legal Advisory
José Damián Bogas Gálvez	General Manager Spain and Portugal
Ignacio Antoñanzas Alvear	General Manager Latin America/General Manager Chile
Rafael López Rueda	General Manager Systems and Telecommunications
José Luis Puche Castillejo	General Manager Resources
Alberto Fernández Torres	General Manager Communication
Héctor Lopez Vilaseco	General Manager Strategy and Development
Enrique Durand Baquerizo	General Manager Audit
Francesco Buresti	General Manager Procurement
Paolo Bondi	General Manager Administration, Finance and Control
Federico Fea	General Manager Innovation

Name or corporate name	Position
Fernando Ferrando	General Manager Sustainability
Francesco Amadei	General Manager Infrastructure and Networks
Manuel Marín Guzmán	General Manager ICT
Ricardo Pérez Blanco	General Manager Legal and Corporate Affairs
Andrea Lo Faso	General Manager HR and Organisation
José Casas Marín	General Manager Institutions and Regulation
Pablo Azcoitia Lorente	General Manager Procurement
Javier Uriarte Monereo	General Manager Marketing
Manuel Morán Casero	General Manager Generation
Álvaro Quiralte Abelló	General Manager Energy Management
José M ^a Grávalos Lasuen	General Manager Nuclear
Salvador Montejo Velilla	Secretary of the Board
Total remuneration received by senior management (thousands of Euros)	
10,473	

C.1.17. List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Corporate name of significant shareholder	Position
Borja Prado Eulate	Enel Iberoamérica, S.L.U.	Director
Francesco Starace	Enel, S.P.A.	Chief Executive Officer
Francesco Starace	Enel Iberoamérica, S.L.U.	Chairman
José Damián Bogas Gálvez	Enel Iberoamérica, S.L.U.	Director
Livio Gallo	Enel Sole, S.R.L.	Chairman
Livio Gallo	Enel Distribuzione, S.P.A.	Chief Executive Officer
Enrico Viale	Enel Produzione, S.P.A.	Chairman
Enrico Viale	Cesi	Director
Enrico Viale	Res Holding (Netherlands)	Director
Livio Gallo	Chilectra, S.A.	Chairman
Alberto de Paoli	Enersis, S.A.	Director
Enrico Viale	Empresa Nacional de Electricidad, S.A.	Chairman

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.

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

No

C.1.19. Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

Selection and 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-optation or by means of a proposal to the General Shareholders' Meeting (articles 53 of the Bylaws and 15 and the Board of Directors' Regulations). Proposals for the appointment or re-election of Directors brought by the Board based on a proposal or report from the Appointments and Remuneration Committee shall be made in respect of persons of recognised prestige who possess 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 (art. 5 of the Regulations of the Board of Directors). In this regard, the Regulations also guarantee that the process of filling Board vacancies has no implicit bias against female candidates (article 15.7 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 Direc-

tors 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).

Evaluation:

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 periodic evaluation of the Board (article 34.3 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 significant event, a report must be given on the reason for the removal in the Annual Corporate Governance Report.

C.1.20. Indicate whether the board has evaluated its performance during the year.

Yes

Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities.

Description of amendments

The self-assessment has not given rise to any significant changes in internal organisation.

C.1.21. 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 Endesa

- 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 or her position, whether due to resignation or otherwise, prior to the end of his or her mandate, the Director must explain the reasons in a letter addressing all Board members. Without prejudice to said removal being reported as a significant event, 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).

C.1.22. 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 to oversee the evaluation by the board of directors.

No

C.1.23. Are qualified majorities, other than those prescribed by law, required for any type of decisions?

No

If applicable, describe the differences.

C.1.24. Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman.

No

C.1.25. 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 or her 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.”

C.1.26. Indicate whether the Bylaws or the board regulations set any age limit for directors.

No

C.1.27. Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors.

No

C.1.28. Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether only one director of the same category may be appointed as a proxy. 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”.

Nevertheless, pursuant to Law 31/2014, a proposal will be put to the 2015 general shareholders’ meeting to include in Art. 45 that “Non-executive directors may only delegate their vote to another non-executive director”.

C.1.29. Indicate the number of Board meetings held during the year and how many times the board has met without the chairman in attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	16
Number of board meetings held in the absence of the chairman	0

Indicate the number of meetings of the various board committees held during the year.

Audit and Compliance Committee	11
Appointments and Remuneration Committee	10

C.1.30. Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Directors’ attendance	16
% of attendances of the total votes cast during the year	100 %

C.1.31. Indicate whether the consolidated and individual 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	Position
Paolo Bondi	Chief Financial Officer
José Damián Bogas Gálvez	Chief Executive Officer

C.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.

Prior to the Board of Directors meeting at which the financial statements will be authorised for issue, and in order to avoid that the individual and consolidated financial statements so authorised are presented at the General Shareholders' Meeting with a qualified audit report, the auditor provides the Board of Directors with a letter setting out the main conclusions of its audit work.

C.1.33. Is the Secretary of the board also a Director?

No

C.1.34. Explain the procedures for appointing and removing the Secretary of the board, indicating whether their appointment and removal have been notified by the Nomination 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.

	Yes	No
Does the Appointments Committee propose appointments?	X	
Does the Appointments Committee advise on dismissals?	X	
Do appointments have to be approved by the board in plenary session?	X	
Do dismissals have to be approved by the board in plenary session?	X	

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.

C.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 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.

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

C.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

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

C.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.

Yes

	Company	Group	Total
Amount of non-audit work (in thousands €)	0	53	53
Amount of non-audit work as a % of the total amount billed by the audit firm	0	3.80%	0.80%

C.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

C.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	4	4
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	11.76%	14.81%

C.1.40. Indicate and give details of any procedures through which directors may receive external advice.

Yes

Details of the procedure

Pursuant to article 30 of the Board of Directors' Regulations 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 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 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.

C.1.41. 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 the 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 Com-

pany provides Directors with the information pertaining to the meeting, seven days in advance, if possible, or at least 48 hours prior to said meeting.

C.1.42. 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 for in 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.

C.1.43. Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Corporate Enterprises Act (LSC).

No

Indicate whether the Board of Directors has examined the matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44. List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

ENDESA and its subsidiaries have loans and other borrowings from banks and Enel Finance International, N.V. of approximately Euros 4,650 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 0.65 million (notional amount of Euros 15 million) that might have to be settled early as a result of a change of control.

C.1.45. Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other operation.

Number of beneficiaries

34

Type of beneficiary

Executive directors, senior executives and executives.

Description of resolution

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.

With regard to management, although this type of termination clause is not the norm, the contents of cases in which it arises are similar to the scenarios of general employment relationships.

The regime for these clauses is as follows:

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from 1 to 3.3 times annual remuneration, on a case-by-case basis.

- At the unilateral decision of the manager: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on a 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 causes for compensation for termination stipulated 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 managers in discharging their duties: no entitlement to termination benefit.

These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for senior executives.

Post-contractual non-competition clause: In the vast majority of contracts, senior executives are required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to up to 1.1 times the annual fixed remuneration payment.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group.

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

C.2. Board committees

C.2.1. Give details of all the board committees, their members and the proportion of proprietary and independent directors.

Executive Committee

Name	Position	Type
Borja Prado Eulate	Chairman	Executive
Francesco Starace	Member	Proprietary
José Damián Bogas Gálvez	Member	Executive
Alberto de Paoli	Member	Proprietary
Miquel Roca Junyent	Member	Independent

% of executive directors	40%
% of proprietary directors	40%
% of independent directors	20%
% of other external directors	0%

Audit and Compliance Committee

Name	Position	Type
Miquel Roca Junyent	Chairman	Independent
Alejandro Echevarría Busquet	Member	Independent
Helena Revoredo Delvecchio	Member	Independent
Borja Prado Eulate	Member	Executive
Alberto de Paoli	Member	Proprietary

% of executive directors	20%
% of proprietary directors	20%
% of independent directors	60%
% of other external directors	0%

Appointments and Remuneration Committee

Name	Position	Type
Alejandro Echevarría Busquet	Chairman	Independent
Miquel Roca Junyent	Member	Independent
Helena Revoredo Delvecchio	Member	Independent
Alberto de Paoli	Member	Proprietary

% of executive directors	0%
% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

C.2.2. Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	2014		2013		2012		2011	
	Número	%	Número	%	Número	%	Número	%
Executive Committee	0	0	0	0	0	0	0	0
Audit and Compliance Committee	1	20	0	0	0	0	0	0
Appointments and Remuneration Committee	1	25	0	0	0	0	0	0

C.2.3. Indicate whether the audit committee is responsible for the following.

	Yes	No
Monitoring the preparation and integrity of 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.	X	
Reviewing internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitoring the independence and efficacy of the internal audit function; proposing 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 verifying that senior management are acting on the findings and recommendations of its reports.	X	
Establishing and supervising 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.	X	
Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of their engagement.	X	
Receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations.	X	
Monitoring the independence of the external auditor.	X	

C.2.4. 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 the Board of Directors' Regulations:

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 Chairman of the Appointments and Remuneration Committee shall be appointed by the Board of Directors from among its non-executive Directors.

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.

The Appointments and Remuneration Committee will be entrusted, among other functions, with reporting and proposing the appointment of the members of the Board of Directors and, without prejudice to such other functions as might be required by Law, will be subject to the provisions of the Bylaws and the Board of Directors' Regulations.

Committee name: Executive or Delegate Committee.

Brief Description: The Board of Directors' Regulations regulates the Executive Committee:

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.

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

Committee name: Audit and Compliance Committee.

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

The Audit and Compliance 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.

At least one of its members shall be independent and shall be appointed in consideration of his or her knowledge and experience in the area of accounting, auditing or both.

The Chairman of the Audit and Compliance Committee shall be appointed by the Board of Directors from among its non-executive Directors.

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.

The main task of this 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, being, without prejudice to such other functions as might be required by Law, subject to the provisions of the Bylaws and the Board of Directors' Regulations."

C.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.

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 Executive Committee is regulated by the Bylaws and the Board of Directors' Regulations. On 10 May 2010, a partial modification was made to article 13: Executive Committee of the Board of Directors' Regulations. These regulations can be consulted on the Company's website www.endesa.com.

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.

C.2.6. Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors.

Yes

D. Related-party and intragroup transactions

D.1. Identify the competent body and explain, if applicable, the procedures for approving related-party or intra-group transactions.

Competent body:

Board of Directors

Procedures:

The Board of Directors is responsible for approving all related-party transactions, following a report from the Audit and Compliance Committee, other than those that meet all of the following conditions:

- They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;

- They go through at market prices, generally set by the person supplying the goods or services;
- Their amount is no more than 1% of the Company's annual revenues.

Explain if the authority to approve related-party transactions has been delegated to another body or person.

The Board of Directors approves all related-party transactions, following a report from the Audit and Compliance Committee.

D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

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 (in thousands of Euros)
Enel, S.P.A.	Bolonia Real Estate, S.L.	Contractual	Management contracts	13
Enel, S.P.A.	Carboex, S.A.	Contractual	Management contracts	105
Enel, S.P.A.	Carboex, S.A.	Contractual	Purchase of finished goods and work in progress	2,917
Enel, S.P.A.	Chilectra	Contractual	Interest charged	11
Enel, S.P.A.	Chilectra, S.A.	Contractual	Services rendered	219
Enel, S.P.A.	Chilectra, S.A.	Contractual	Purchase of finished goods and work in progress	2,045
Enel, S.P.A.	Chilectra, S.A.	Contractual	Services rendered	144
Enel, S.P.A.	Codensa, ESP	Contractual	Services rendered	122
Enel, S.P.A.	Compañía Eléctrica de Tarapaca	Contractual	Interest paid	1
Enel, S.P.A.	Compañía Eléctrica de Tarapaca	Contractual	Services rendered	9
Enel, S.P.A.	Distribuidora Eléctrica del Puerto de la Cruz, S.A.	Contractual	Management contracts	20
Enel, S.P.A.	Emgesa, S.A.	Contractual	Interest charged	2
Enel, S.P.A.	Emgesa, S.A.	Contractual	Services rendered	144
Enel, S.P.A.	Empresa Carbonífera del Sur, S.A.	Contractual	Management contracts	190
Enel, S.P.A.	Empresa Eléctrica Pehuenche, S.A.	Contractual	Purchase of finished goods and work in progress	838
Enel, S.P.A.	Empresa Eléctrica Pehuenche, S.A.	Contractual	Sale of finished goods and work in progress	371
Enel, S.P.A.	Empresa Nacional de Electricidad, S.A.	Contractual	Services rendered	346
Enel, S.P.A.	Empresa Nacional de Electricidad, S.A.	Contractual	Purchase of finished goods and work in progress	12,119
Enel, S.P.A.	Empresa Nacional de Electricidad, S.A.	Contractual	Sale of finished goods and work in progress	839
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Management contracts	16,337
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Services rendered	3,251
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Purchase of finished goods and work in progress	41,733
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Services rendered	695

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 (in thousands of Euros)
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Property, plant and equipment purchases	452
Enel, S.P.A.	Endesa Distribución Eléctrica, S.L.	Contractual	Financing agreements: loans	5
Enel, S.P.A.	Endesa Energía XXI, S.L.	Contractual	Management contracts	5
Enel, S.P.A.	Endesa Energía XXI, S.L.	Contractual	Purchase of finished goods and work in progress	29
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Management contracts	6,264
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Operating lease agreements	162
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Services rendered	1,134
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Other	3,705
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Services rendered	187
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Sale of finished goods and work in progress	13,187
Enel, S.P.A.	Endesa Financiación Filiales, S.A.	Contractual	Interest charged	3,493
Enel, S.P.A.	Endesa Financiación Filiales, S.A.	Contractual	Financing agreements: loans	115,179
Enel, S.P.A.	Endesa Gas, S.A.	Contractual	Management contracts	10
Enel, S.P.A.	Endesa Generación Portugal, S.A.	Contractual	Management contracts	5
Enel, S.P.A.	Endesa Generación Portugal, S.A.	Contractual	Services rendered	5
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Management contracts	2,666
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Purchase of finished goods and work in progress	30,807
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Other	528,806
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Services rendered	3,484
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Operating lease agreements	920
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Services rendered	324
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Sale of finished goods and work in progress	30,193
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Other	364,510
Enel, S.P.A.	Endesa Generación, S.A.	Contractual	Property, plant and equipment purchases	125,898
Enel, S.P.A.	Endesa Ingeniería, S.L.	Contractual	Purchase of finished goods and work in progress	160
Enel, S.P.A.	Endesa Ingeniería, S.L.	Contractual	Services rendered	590
Enel, S.P.A.	Endesa Ingeniería, S.L.	Contractual	Management contracts	160
Enel, S.P.A.	Endesa Latinoamérica, S.A.	Contractual	Services rendered	105
Enel, S.P.A.	Endesa Latinoamérica, S.A.	Contractual	Services rendered	748
Enel, S.P.A.	Endesa Operaciones y Servicios Comerciales, S.L.	Contractual	Management contracts	246
Enel, S.P.A.	Endesa Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	468
Enel, S.P.A.	Endesa Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	27
Enel, S.P.A.	Endesa Red, S.A.	Contractual	Management contracts	66
Enel, S.P.A.	Endesa Red, S.A.	Contractual	Services rendered	45
Enel, S.P.A.	Endesa Red, S.A.	Contractual	Services rendered	139
Enel, S.P.A.	Endesa Servicios, S.L.	Contractual	Operating lease agreements	742
Enel, S.P.A.	Endesa Servicios, S.L.	Contractual	Management contracts	20
Enel, S.P.A.	Endesa, S.A.	Contractual	Interest charged	41,188
Enel, S.P.A.	Endesa, S.A.	Contractual	Management contracts	228
Enel, S.P.A.	Endesa, S.A.	Contractual	Services rendered	3,100
Enel, S.P.A.	Endesa, S.A.	Contractual	Interest paid	55
Enel, S.P.A.	Endesa, S.A.	Contractual	Partnership agreements	4,116
Enel, S.P.A.	Endesa, S.A.	Contractual	Services rendered	415
Enel, S.P.A.	Endesa, S.A.	Contractual	Other	9,103
Enel, S.P.A.	Endesa, S.A.	Contractual	Financing agreements: loans	4,503,895
Enel, S.P.A.	Energías de Aragón I, S.L.	Contractual	Management contracts	10
Enel, S.P.A.	Enersis	Contractual	Services rendered	33
Enel, S.P.A.	Gas y Electricidad Generación, S.A.	Contractual	Management contracts	766

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 (in thousands of Euros)
Enel, S.P.A.	International Endesa B.V.	Contractual	Services rendered	220
Enel, S.P.A.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Management contracts	1,589
Enel, S.P.A.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Services rendered	8
Enel, S.P.A.	Endesa Energía, S.A.	Contractual	Purchase of finished goods and work in progress	71,097
Enel Iberoamérica, S.L.U.	Ampla Energia e Serviços, S.A.	Contractual	Interest charged	3
Enel Iberoamérica, S.L.U.	Ampla Energia e Serviços, S.A.	Contractual	Operating lease agreements	414
Enel Iberoamérica, S.L.U.	Ampla Energia e Serviços, S.A.	Contractual	Services rendered	105
Enel Iberoamérica, S.L.U.	Asociación Nuclear Ascó-Vandellós II, A.I.E.	Contractual	Services rendered	171
Enel Iberoamérica, S.L.U.	Bolonia Real Estate, S.L.	Contractual	Services rendered	151
Enel Iberoamérica, S.L.U.	Bolonia Real Estate, S.L.	Contractual	Other	42
Enel Iberoamérica, S.L.U.	Carboex, S.A.	Contractual	Services rendered	35
Enel Iberoamérica, S.L.U.	Central Dock Sud SA	Contractual	Services rendered	5
Enel Iberoamérica, S.L.U.	Central Geradora Termeletrcia Fortaleza, S.A.	Contractual	Operating lease agreements	2
Enel Iberoamérica, S.L.U.	Central Geradora Termeletrcia Fortaleza, S.A.	Contractual	Services rendered	8
Enel Iberoamérica, S.L.U.	Chilectra, S.A.	Contractual	Services rendered	419
Enel Iberoamérica, S.L.U.	Chilectra, S.A.	Contractual	Interest paid	4
Enel Iberoamérica, S.L.U.	Codensa S.A. E.S.P.	Contractual	Interest charged	4
Enel Iberoamérica, S.L.U.	Codensa S.A. E.S.P.	Contractual	Services rendered	219
Enel Iberoamérica, S.L.U.	Codensa S.A. E.S.P.	Contractual	Other	68
Enel Iberoamérica, S.L.U.	Codensa S.A. E.S.P.	Contractual	Interest paid	2
Enel Iberoamérica, S.L.U.	Companhia Energetica do Ceara, S.A.	Contractual	Operating lease agreements	460
Enel Iberoamérica, S.L.U.	Distribuidora Eléctrica del Puerto de la Cruz, S.A.	Contractual	Property, plant and equipment purchases	18
Enel Iberoamérica, S.L.U.	Edegel, S.A.A.	Contractual	Services rendered	64
Enel Iberoamérica, S.L.U.	Emgesa, S.A. E.S.P.	Contractual	Interest charged	1
Enel Iberoamérica, S.L.U.	Emgesa, S.A. E.S.P.	Contractual	Services rendered	66
Enel Iberoamérica, S.L.U.	Empresa Carbonífera del Sur, S.A.	Contractual	Services rendered	330
Enel Iberoamérica, S.L.U.	Empresa de Distribución Eléctrica Lima Norte, S.A.A.	Contractual	Services rendered	138
Enel Iberoamérica, S.L.U.	Empresa Distribuidora Sur, S.A.	Contractual	Services rendered	17
Enel Iberoamérica, S.L.U.	Empresa Eléctrica de Piura, S.A.	Contractual	Services rendered	11
Enel Iberoamérica, S.L.U.	Empresa Nacional de Electricidad, S.A.	Contractual	Interest charged	5
Enel Iberoamérica, S.L.U.	Empresa Nacional de Electricidad, S.A.	Contractual	Services rendered	430
Enel Iberoamérica, S.L.U.	Endesa Brasil, S.A.	Contractual	Other	1
Enel Iberoamérica, S.L.U.	Endesa Costanera, S.A.	Contractual	Services rendered	56
Enel Iberoamérica, S.L.U.	Endesa Distribución Eléctrica, S.L.	Contractual	Services rendered	60,403
Enel Iberoamérica, S.L.U.	Endesa Distribución Eléctrica, S.L.	Contractual	Operating lease agreements	1,250
Enel Iberoamérica, S.L.U.	Endesa Distribución Eléctrica, S.L.	Contractual	Other	3
Enel Iberoamérica, S.L.U.	Endesa Distribución Eléctrica, S.L.	Contractual	Property, plant and equipment purchases	17,743
Enel Iberoamérica, S.L.U.	Endesa Energía, S.A.	Contractual	Services rendered	32,472
Enel Iberoamérica, S.L.U.	Endesa Energía, S.A.	Contractual	Property, plant and equipment purchases	33,153
Enel Iberoamérica, S.L.U.	Endesa Financiación Filiales, S.A.	Contractual	Interest charged	170
Enel Iberoamérica, S.L.U.	Endesa Financiación Filiales, S.A.	Contractual	Interest paid	86
Enel Iberoamérica, S.L.U.	Endesa Financiación Filiales, S.A.	Contractual	Financing agreements: loans	4,315
Enel Iberoamérica, S.L.U.	Endesa Generación, S.A.	Contractual	Services rendered	12,761
Enel Iberoamérica, S.L.U.	Endesa Generación, S.A.	Contractual	Property, plant and equipment purchases	1,557
Enel Iberoamérica, S.L.U.	Endesa Ingeniería, S.L.	Contractual	Services rendered	60
Enel Iberoamérica, S.L.U.	Endesa Ingeniería, S.L.	Contractual	Services rendered	20
Enel Iberoamérica, S.L.U.	Endesa Latinoamérica, S.A.	Contractual	Services rendered	218
Enel Iberoamérica, S.L.U.	Endesa Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	10,264
Enel Iberoamérica, S.L.U.	Endesa Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	440
Enel Iberoamérica, S.L.U.	Endesa Red, S.A.	Contractual	Services rendered	923

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 (in thousands of Euros)
Enel Iberoamérica, S.L.U.	Endesa Red, S.A.	Contractual	Services rendered	2
Enel Iberoamérica, S.L.U.	Endesa Servicios, S.L.	Contractual	Operating lease agreements	5,365
Enel Iberoamérica, S.L.U.	Endesa Servicios, S.L.	Contractual	Other	265
Enel Iberoamérica, S.L.U.	Endesa Servicios, S.L.	Contractual	Services rendered	5
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Interest charged	1,168
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Services rendered	24,530
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Interest paid	1,772
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Management contracts	7,648
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Services rendered	11,076
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Other	4
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Property, plant and equipment purchases	21,165
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Sales of financial fixed assets	8,252,900
Enel Iberoamérica, S.L.U.	Endesa, S.A.	Contractual	Dividends and other distributions	14,908,300
Enel Iberoamérica, S.L.U.	Energis, S.A.	Contractual	Interest charged	2
Enel Iberoamérica, S.L.U.	Energis, S.A.	Contractual	Services rendered	119
Enel Iberoamérica, S.L.U.	Gas y Electricidad Generación, S.A.	Contractual	Services rendered	1,112
Enel Iberoamérica, S.L.U.	Gas y Electricidad Generación, S.A.	Contractual	Property, plant and equipment purchases	17
Enel Iberoamérica, S.L.U.	ICT Servicios Informaticos Limitada	Contractual	Other	4
Enel Iberoamérica, S.L.U.	Inmobiliaria Manso de Velasco Limitada	Contractual	Services rendered	5
Enel Iberoamérica, S.L.U.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Services rendered	2,608
Enel Iberoamérica, S.L.U.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Property, plant and equipment purchases	53
Enel, S.P.A.	Endesa, S.A.	Contractual	Guarantees	109,000
Enel Iberoamérica, S.L.U.	Endesa Latinoamérica	Contractual	Property, plant and equipment sales	1,764,310

D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

D.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.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

D.5. Indicate the amount from related-party transactions.

0 (thousands of Euros).

D.6. List the mechanisms established to detect, determine and resolve any possible conflicts of interest be-

tween the company and/or its group, and its directors, management or significant shareholders.

Article 29 of the Board of Directors' Regulations, states that 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.

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 attorneys-in-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 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.

In the event of any doubts about whether a conflict of interest exists, such persons 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.

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

No

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms

E. Risk control and management systems

E.1. Describe the risk management system in place at the company.

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 must be regarded as 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:

1. Global risk strategies addressing tactical and operational issues are established and developed to provide guidance on defining and deploying the various types and levels of risk within the Company, consistently with its business objectives.
2. A Risk Committee is set up in each country, and is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
3. The Risk Committees are also responsible for approving the risk policies and strategy, which form the framework guiding the corporate departments and businesses.
4. Any action involving higher levels of potential risk than those established by the Risk Committee must be approved by the said Committee.
5. Risk governance is carried out through risk control and risk management functions, which are independent from each other.

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 decision-making 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 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/opportunities of relevance.
- 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 risks to be aggregated and compared is to quantify overall exposure to risk, including all of Endesa's positions. 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 risks faced by Endesa.
- Compilation of supplementary metrics to understand the risk structure assumed.
- Inclusion of information on the metrics in the corporate risk reporting scheme.

Control. The purpose of risk control is to guarantee that the risks assumed by Endesa are appropriate. This is achieved through: definition of quantitative references (limits) that reflect Endesa's strategy and its risk predisposition as defined by senior management; identification and consideration of possible breaches of limits; and establishment of the 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 risk levels at each level of the Company to the set risk tolerance and predisposition.

NOTE: From 23/10/2014, the scope of Endesa is limited to Spain and Portugal.

E.2. Identify the bodies responsible for preparing and implementing the risk management system.

Risk committee

Objectives:

- Ensure that senior management participates in strategic risk management and control decisions.
- Ensure coordination between the risk management unit and business line operating units.
- Provide an integrated vision of risk by business areas.

Duties:

- Approve risk management policies.
- Remain apprised of the risk limits approved by the Group's Risk Committees.

- Propose risk management strategies for "extraordinary" (non-recurring) transactions.
- Analyse risk exposure and management for each business area.

Composition:

- Administration, Finance and Control
- Compliance and Environment
- Audit
- Energy Efficiency
- Distribution
- Generation
- Risk Management
- Energy Management
- Supply

NOTE: From 23/10/2014, the scope of Endesa is limited to Spain and Portugal. From 31/07/2014, new business lines have been included in the Enel Group that are transversal across countries. The company bodies responsible for preparing and implementing the risk management system retain their functions.

E.3. Indicate the main risks which may prevent the company from achieving its targets.

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

- Business risk: this type of risk includes:
 - Legal risk, including tax risk, which is the uncertainty deriving from government or legal action in 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, including environmental regulations. 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 currency
- Interest rate risk: the risk of fluctuations in interest rates, loan spreads or inflation.
- Exchange rate risk: the risk associated with foreign currency exchange rates.
- Liquidity and funding risk: 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 to 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.
- Credit and 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.

NOTE: From 23/10/2014, the scope of Endesa is limited to Iberia (Spain and Portugal).

E.4. Identify if the company has a risk tolerance level.

The limits are defined and designed to ensure a level of risk consistent with the objectives assigned to the businesses. Limits and thresholds are defined to ensure effective risk management.

Models and systems have been implemented to analyse, measure and monitor risks. These models and systems pro-

vide information on risks and ensure that standard procedures are applied throughout the Group.

Specific procedures are in place to manage risks within each business line. These procedures are used to analyse all relevant information to properly assess risk factors and any changes in business conditions.

Risk measurement, monitoring and reporting focus on risk exposure at Group level and in the business units, in accordance with the limits and thresholds established.

The following activities are carried out in that respect:

- Local risks are assessed to ensure that risk factors derived from new contracts or business initiatives are constantly monitored.
- The market in Iberia and trends in each portfolio are analysed to ensure consistency and the usefulness of risk indicators.
- Information on exposure and coverage is analysed, in order to create a preliminary estimate of risk indicators.
- All information regarding local exposure to risk is reviewed and reported internally.
- Historical data is continuously monitored in order to gauge models and to understand local markets.
- Appropriate measurement and monitoring of risk exposure is ensured.
- Among others, limits are established for:
 - Energy trading.
 - Medium and long-term exposure to fuels, energy and CO₂.
 - Exposure to credit risk as a whole and with individual counterparties.
 - ...

NOTE: From 23/10/2014, the scope of Endesa is limited to Iberia (Spain and Portugal).

E.5. Identify any risks which have occurred during the year.

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

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.

E.6. Explain the response and monitoring plans for the main risks the company is exposed to.

The risk system is based on defining limits and thresholds and continuous monitoring of risk exposure.

Continuous monitoring of risk factors by the Risk Control function enables us to detect any changing trends, with more in-depth analysis of the situation as necessary.

If risk limits are exceeded, the Risk Unit analyses the situation and may authorise the transaction. If the amount exceeds a specified threshold, the pertinent committee will meet to consider the matter.

The pertinent committee will take the final decision, either authorising an exemption or a change to the limit, or ordering the settlement of the positions needed in order to remain within the established limits.

We have defined a risk map that is continuously updated to include all the risks that might impact Endesa's ability to achieve its objectives. This document is monitored by all general managers.

F. Internal Control over Financial Reporting (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.

F.1. The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.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.

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 make 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 financial 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.

Spanish legislation incorporates the internal control regulations set out in EU Directive 2006/46/EC, which requires entities to provide markets with a description of the main features of their internal control and risk management systems in respect of financial reporting.

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.

This legal mandate was implemented through CNMV Circular 5/2013 of 12 June 2013 providing a model annual cor-

porate governance report for listed companies, fleshing out the contents of the ICFR report required under the Securities Market Act.

Endesa forms an integral part of the European business group ENEL, which applies both the EU Directives and Italian legislation ("L.262/05 ex art.154 bis del Testo Unico della Finanza", Consolidated Law on Finance), in order to achieve the highest efficiency and transparency standards in its ICFR. To that end, ENEL has designed a standardised ICFR procedure applicable to all group companies, which complies with the legislation of each country in which the group operates.

In this regard, ENDESA has had a formal ICFR in place since 2005. As of 31 December 2014, this was consistent with that of the ENEL Group, which was used as the basis for this report, following the model set out in the aforementioned CNMV Circular.

On 21 October 2014, an Extraordinary General Shareholders' Meeting approved the divestment of ENDESA's Latin American business. For the purposes of this report, information relating to 31 December 2014 refers exclusively to the companies forming part of the ENDESA Group at that date, basically the Spain and Portugal businesses. Meanwhile, information for 2014 as a whole also includes ENDESA subsidiaries in Latin America in the period from 1 January 2014 to 21 October 2014.

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 responsibility is one of the cornerstones of how ICFR works at ENDESA.

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

- (i) 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 2014, ENDESA's ICFR model -defined, updated and monitored by the internal control units in each country in which ENDESA operates and drawing on the support and coordination of the Enel Group Holding Management area- comprised 757 processes (86 in Spain and Portugal and 671 in Latin America) that have a material impact on the Group's financial information. In 2014, these processes were characterised by a documentation model in line with that of the Enel Group for Spain and Portugal, while for processes in Latin America, the documentation methodology in place prior to ENDESA's integration into the ENEL Group was maintained.

A total of 7,138 control activities exist for the aforementioned processes (2,091 in Spain and Portugal and 5,047 in Latin America). In addition, there are 160 information technology general control (ITGC) activities corresponding to information systems and processes on a global scale. 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, shared with the Enel Group. 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 an ongoing certification process carried out by the ICFR Audit unit with a view to validating the evaluation performed by those responsible for the controls.

Twice a year, ENDESA's management draws conclusions on how well its ICFR model is working, based on the conclusions of the ICFR evaluation process, 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.

F.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 8 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, the committee is entrusted with supervising the preparation and presentation of regulatory financial information and monitoring the efficacy of ENDESA's ICFR systems and risk management systems, as well as discussing with the auditors or audit firms any significant weaknesses detected in the internal control system during the course of the audit work.

The committee also supervises the internal audit services, ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappoint-

ment 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.

Transparency Committee

In 2004, ENDESA set up a Transparency Committee, made up of senior executives including all members of the Executive Management Committee together with other members of ENDESA management directly involved in the preparation, certification and disclosure of financial information. 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, based on the report prepared by the Internal Control over Financial Reporting (ICFR) corporate unit, 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.

Economic and Finance Department In supporting the Transparency Committee, ENDESA's Economic and Finance Department performs the following ICFR-related duties within the framework of the Enel Group's policies and procedures:

- 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.
- Disseminating the necessary ICFR procedures.
- Overseeing compliance with internal controls over financial reporting and the internal disclosure controls and procedures, presenting periodic reports on its conclusions with respect to the system's effectiveness for presentation to the Transparency Committee.

Internal Control Unit

ENDESA's Economic and Finance Department includes an Internal Control Unit, which is functionally integrated within the Enel Group's ICFR. This unit is 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 for certifying the evaluation of the effectiveness of the controls and procedures defined in the ICFR model.

All matters relating to internal control over financial reporting and the disclosure of financial information are regulated in the Enel Group's corporate protocol no. 188, 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 ICFR unit performs its work on the basis of information flows on 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 the Group'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. The ICFR system is evaluated and certified in full every six months.

In addition, the Audit and Compliance Committee has tasked the ICFR Audit Unit with independently monitoring the most relevant ICFR controls, verifying their design and effectiveness, and reporting to the committee on any weaknesses detected during its work.

F1.2. 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.**

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 Organisational and Human Resources Unit is tasked with designing, planning and disclosing the change management framework in the case of major organisational transformations, planning change programmes and the related resources and processes. It is also responsible for defining the guidelines for the Group's organisational structure and for relevant organisational changes. Lastly, the unit ensures the definition and implementation of the global job posts systems, directly evaluating the key professional functions and executive positions.

Strictly within ENDESA, organisational protocol no. 030 defines and establishes the criteria for identifying, developing and implementing organisational guidelines based on general instructions received from the Holding, as well as the assessment and evaluation of non-executive positions. The Organisational and Human Resources Department is responsible for implementing this protocol.

The various organisational guidelines are posted on ENDESA's Intranet and are available for viewing by all ENDESA employees.

- **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.**

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.
- The Implementation Mechanisms, describing the organisational structure of the Code of Ethics environment, responsible for ensuring that all employees are aware of, understand and comply with the Code.

The principles and provisions of ENDESA's Code of Ethics must be respected and complied with by 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 type, 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 "ENDESA's professionals must provide complete, transparent, comprehensible and accurate information such that when entering 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 ENDESA 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 Compact, 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.

Criminal Risk Prevention Model

ENDESA has had a Criminal Risk Prevention Model in place since 1 January 2012. This provides the company with a control system to prevent criminal offences within the company, complying with applicable regulations on the criminal responsibility of legal persons (the Spanish Criminal Code and Enel Guideline 231). The main objectives of this model are to prevent the commission of criminal offences and to raise awareness among all persons working with us, partners and third parties of the importance of commitment to, and compliance with, the company's principles and procedures.

ENDESA also has specific protocols in place establishing the general action criteria to be followed by all persons working with us. These are:

- Conflict of interests protocol. Exclusive dedication and commercial competition.
- Protocol for accepting presents, gifts and favours.
- Protocol for dealing with public servants and the authorities.
- **A '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.

Whistle-blowing channel

ENDESA has had an Ethics Channel in place since 2005. This is accessible via its corporate website and intranet to all employees, 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.

The procedure for using this channel ensures confidentiality, as all complaints and communications are managed by an independent external supplier. In addition to this Channel, a number of other channels are available for submitting complaints. These are all routed to Internal Audit, in accordance with ENDESA's internal procedures. Internal Audit is responsible for ensuring that all complaints received are processed correctly, considering them and acting independently of other company units. It has access to all company documents needed for the exercise of its functions. It monitors the implementation of the recommendations included in its audit reports. Internal Audit reports to the Board of Directors through the Audit and Compliance Committee, which centralises and channels significant complaints to the Board.

- **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.**

Training programmes

The Business Organisation and Human Resources Department works with the Economic and Finance Department to prepare the training schedule for all staff involved in preparing ENDESA's annual financial statements. This Plan 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 2014, ENDESA's Economic and Finance Department in Iberia received 14,617.99 training hours, of which 19.9% 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 31.2% were for language training and 16.6% 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.

F.2. Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented.**

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.**

The financial reporting risk identification and maintenance process covers the following financial information objectives:

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

The ICFR unit, aided by the resources assigned in the different countries and companies and with the support of Global ICT in respect of IT aspects, updates the risk evaluation whenever changes occur to the scope of the model.

The evaluation (in terms of probability and impact) of both inherent and residual risks is updated every time there is a change in processes or whenever a new company is included within the scope. This evaluation can result in the identification of new risks, which are mitigated by designing new controls or updating existing controls.

- **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.**

Defining the scope of consolidation

ENDESA keeps a corporate register, which is permanently updated, of 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.

This register therefore 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 in International Financial Reporting Standards (hereinafter "IFRS") and other local accounting regulations. All ENDESA companies are informed of any changes to the scope of consolidation.

- **The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

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

- **Finally, which of the company's governing bodies is responsible for overseeing the process.**

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.

F.3. Control activities

Indicate the existence of at least the following components, and specify their main characteristics.

F.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 and 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 Management Area, which performs certain controls as part of the closing of accounts procedure in order to ensure the reliability of the information disclosed.

In addition, the Planning and Control Area analyses and monitors 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 itself for half years, and the representatives designated by the Transparency Committee for quarters, analyse 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 that coincide with the end of a six-month financial period, and those of particular importance, the Audit and Compliance Committee also receives information from ENDESA's external auditor on the results of the work it has performed.

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

ENDESA also carries out a half yearly assessment of the operations of its ICFR. The Economic and Finance Department prepares a report based on the conclusions of this assessment and submits it to the Transparency Committee for consideration.

Once approved by the Transparency Committee, the report is then submitted to the Audit and Compliance Committee.

Finally, every year the Economic and Finance Department prepares a report describing the ICFR, which it submits 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 as part of the Annual Corporate Governance Report.

Description of activity and control flows

ENDESA's ICFR model is in line with the model established for all Enel Group companies, which is based on the COSO Model (Committee of Sponsoring Organizations of the Treadway Commission, 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

Firstly, the model features 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. The Management Controls guarantee an adequate level of internal control at ENDESA and serve as mitigating controls if necessary. "ELC-ACCESS" controls are also in place to protect against the risk of unauthorised access to the IT applications and network folders involved in these processes. In application of the Enel Group model, ENDESA has identified the following business cycles at the process level common to all its subsidiaries:

- 1) Fixed assets
- 2) Accounting close
- 3) Capital investments
- 4) Finance
- 5) Inventory

- 6) Personnel expenses
- 7) Procurement cycle
- 8) Revenue cycle
- 9) Taxes other than income tax

The ICFR unit manages and continuously updates documentation on each process, following the methodology established in the Enel Group's organisational protocol no. 188. 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 primary components of each process are:

- **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.
- **Control activities.** Policies, procedures and practices applied by the Company's staff, software applications and other resources put in place to mitigate the risks identified. 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. Depending on how they are designed, control activities may be preventive or detective, manual (staff-driven) or automated (IT-driven). Specifically with respect to IT systems, the control activities in place are called IT General Controls (hereinafter, "ITGCs"), and are managed by ICT Governance within the Global Information and Communication Technologies area (hereinafter, "Global ICT"). 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 ensure that, in the ordinary course of business and in respect of all consolidated financial state-

ment headings, ENDESA's control targets are met, in accordance with the aforementioned organisational protocol no. 188.

7,138 control activities and 160 ITGCs were identified in 2014.

Overall, the level of coverage of the main consolidated financial statement headings (total assets, EBITDA, leverage, etc.) exceeds 90%.

All information relating to the internal control model is documented in the SAP-GRC PROCESS CONTROL (hereinafter, SAP-GRC) IT tool, coordinated by the ICFR unit. The persons responsible for the control activity (the Control Owners) are appointed by the process managers, and are responsible for carrying out six-monthly assessments.

Activity managers are required to document all control activities carried out under their supervision, using the methods and instruments described when designing the control under their hierarchical responsibility.

The ICFR unit monitors self-assessment progress, thereby ensuring that process managers receive the support they require.

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

- **Evaluation of control activities:** The evaluator performs tests to verify and evaluate the correct design and operation of all the control activities. This same party identifies and reports any weaknesses detected so that they are addressed
- **Certification by the Organisational Units:** The responsible party signs off the evaluation of the control activities, taking responsibility for the actions needed to remedy any 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 certification rounds.

All of these phases are monitored and supported by the Internal Control Unit. The conclusions regarding compliance and effectiveness, resulting from the tests performed by the ICFR Audit Department, are included in the ICFR report along with the self-assessment results. The Economic and Finance Department 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 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 possibility -not remote- 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 possibility -not remote- 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 weakness 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.

F.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.

The Global ICT area is responsible for the IT and telecommunications systems for all ENDESA's businesses and geographic markets. ENEL Iberoamérica, S.L.U. (the company which owns 70.1437% 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 has in place 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. Despite this, the responsibility for this function and for the development and execution of the operating procedures remains with ENDESA and is therefore specified and certified within ENDESA's ICFR system. The multiple and diverse duties attributed to Global ICT 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 and, in particular, Global ICT's model, encompass 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 in preparing 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 eleven processes:

- 1) ICT architecture and technology
- 2) Standard ICT requests
- 3) ICT management policies and procedures
- 4) ICT strategy and planning
- 5) ICT configuration and asset management
- 6) ICT capacity management
- 7) ICT supplier management
- 8) ICT performance monitoring

- 9) ICT solutions management
 - 10) ICT incidents and events management
 - 11) ICT problems management
- (ICT: Information and Communications Technology)

These processes are in turn divided into sub-processes with the necessary refinements to guarantee an appropriate level of control of the IT system and ensure the integrity, availability and confidentiality of each company's financial information.

ENDESA's internal IT system control model features the control activities needed to cover the risks intrinsic to the following IT system management aspects, processes and systems, including specific management controls for ENDESA's technology environment relating to financial information:

IT environment

- Global ICT roles and duties.
- 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.

To ensure the security of its information, in 2007 ENDESA set up its Information Security function in response to requirements dictated by legislative, technology and market demands.

This is based on the regulatory framework established by the ENEL Group for information security. The most relevant documents in this regard are the Security Policy set out in Policy 40 and the IT Systems Access Control Policy set out in Policy 87.

The Security Policy ensures that the security risks to which the company's tangible and intangible assets are exposed are assessed, together with the technical and organisational measures needed for their control and management.

The objectives of this are:

- Ongoing protection of people from risks (e.g. social, political, cultural and natural disaster risks), ensuring they can do their work.
- The observance of current safety standards, laws and regulations;
- Protection of IT applications and infrastructure, industrial automation systems and control systems;
- Protection of tangible resources (work places, the company's infrastructure systems) from threats that could affect their value or compromise their functional capacity.
- Ongoing safeguarding of information and data from unauthorised alteration (integrity); unauthorised access (confidentiality); and accidental or intentional damage that might affect their use by authorised users (availability); ensuring that the person responsible for the information or provision of a service (and their counterparty) are who they say they are (authentication); and that it is

always possible to know who has carried out any action affecting the information and when (auditability).

In this regard, the IT Systems Access Control Policy sets out guidelines for the management of access to IT systems and applications, reducing the risk of fraud or involuntary access to Group information and safeguarding the confidentiality, accuracy and availability thereof.

In 2007, Endesa set up a Decision Rights Management function (currently known as Segregation of Duties, part of the ICFR Unit) to guarantee the identification, management and control of functional incompatibilities and ensure that no single person can dominate a critical process.

F.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 the supplier to provide a guarantee attesting to the internal control measures in place for the activities performed. In important cases, such as the Data Centre, service providers are asked to obtain an ISAE 3402 "International Standard on Assurance Engagements" report. This report allows ENDESA to check whether the service provider's control objectives and activities have worked during the corresponding time horizon.

When ENDESA engages the services of an independent expert, it first assures itself of their legal and technical competence and skills. 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.

F.4. Information and communication

Indicate the existence of at least the following components, describing their main characteristics.

F.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 operations, 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 Criteria and Reporting Unit which is specifically responsible for analysing the International Financial Reporting Standards (hereinafter, "IFRS") and the Spanish Chart of Accounts (GAAP) as they impact ENDESA Group companies. In performance of these functions, the Accounting Criteria and Reporting Unit is responsible for:

- Defining ENDESA's accounting policies.
- Analysing executed and planned transactions to determine the appropriateness of their accounting treatment in line with ENDESA's accounting policies.
- Monitoring the new standards being worked on by the International Accounting Standards Board (hereinafter, "IASB") and the Instituto de Contabilidad y Auditoría de Cuentas (hereinafter, "ICAC"), 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 Criteria and Reporting Unit keeps all those with financial reporting responsibilities at the various levels within ENDESA 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.

F.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 centralises 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 ENDESA's 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 also managed on a centralised basis for the ENEL Group scope, which produces all the information needed to draw conclusions with respect to the effectiveness of the model.

F.5. Monitoring

Indicate the existence of at least the following components, describing their main characteristics.

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and 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 which 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 ICFR Audit unit, at the instance of the Audit and Compliance Committee and as set down in its annual work programme, independently monitors the most relevant ICFR controls, verifying their design and effectiveness. The results are reviewed by the Audit and Compliance Committee.

In addition, over the course of the year, progress on the action plans put in place by ENDESA to address any shortcomings identified by the process managers and shared with the ICFR unit 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 system and progress on executing the action plans deriving from earlier evaluations. The half-yearly evaluations carried out in the year revealed no material ICFR weaknesses. The assessment processes carried out in Spain in 2014 analysed 160 ITGCs, 205 entity level controls, 79 access controls and 1,807 control activities. Of these, the ICFR Audit Unit reviewed the 38 ITGC controls and 246 activity controls. As a result of both the self-assessment process and the review carried out by the ICFR Audit Unit, 11 control weaknesses, which do not significantly affect the quality of the financial information, were identified (10 in control activities and one ITGC control), together with a significant weakness relating to access controls and functional incompatibilities.

In keeping with the foregoing, ENDESA's management believes that the ICFR model for the period 1 January to 31 December 2014 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.

F.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 review of the different processes 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 ENDESA 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.

F.6. Other relevant information

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

F.7. External auditor report

State whether:

F.7.1. 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.

Pursuant to article 61 bis (h) of Spain's Securities Market Act (Law 24/88, of 28 July 1988) and CNMV Circular 5/2013 of 13 June 2013, ENDESA includes in its 2014 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 proposed in the aforementioned Circular.

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.

G. 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 the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

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.10, B.1, B.2, C.1.23 and C.1.24.

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: D.4 and D.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.

See section: B.6

Compliant

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the Meeting notice.

Compliant

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. 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.

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.

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.

Compliant

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:

- i) 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: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.
- ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.
- 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 jurisdictions 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:

- 1^a. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
- 2^a. They go through at market prices, generally set by the person supplying the goods or services;
- 3^a. 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: D.1 and D.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: C.1.2

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.3 and C.1.3.

Compliant

11. 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:

1.º In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2.º In companies with a plurality of shareholders represented on the Board but not otherwise related.

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

Compliant

12. The number of Independent Directors should represent at least one third of all board members.

See section: C.1.3

Compliant

13. 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: C.1.3 and C.1.8

Compliant

14. When women directors are few or non-existent, the nomination committee should take steps to ensure that, when new vacancies arise:

- 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant

15. 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 sections: C.1.19 and C.1.41

Compliant

16. 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: C.1.22

Not applicable

17. 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 regulations.

See section: C.1.34

Compliant

18. 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: C.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. Article 10 of the Board of Directors' Regulations states that one third of the members of the Board may, prior to the holding of the Meeting, request the inclusion of such items as they may see fit to deal with.

19. 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: C.1.28, C.1.29 and C.1.30

Compliant

20. 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

21. 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 sections: C.1.19 and C.1.20

Compliant

22. 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 the secretary.

See section: C.1.41

Compliant

23. 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: C.1.40

Compliant

24. 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

25. 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: C.1.12, C.1.13 and C.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.

26. 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.
- b) Subject to a report from the nomination committee in all other cases.

See section: C.1.3

Compliant

27. 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

28. 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 C.1.2

Compliant

29. 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 Ministerial Order ECC/461/2013.

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 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant

30. 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 213 of the Corporate Enterprises

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: C.1.42, C.1.43

Compliant

31. 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.

The terms of this Recommendation should also apply to the secretary of the board, director or otherwise.

Not applicable

32. 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: C.1.9

Compliant

33. 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.

Compliant

34. 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

35. 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

36. 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

37. 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: C.2.1 and C.2.6

Compliant

38. 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. In addition, the Secretary makes the minutes available to all Board members.

39. 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 sent to all board members.

See sections: C.2.1 and C.2.4

Partially compliant

With regard to item b) above, we would note that an Executive Director sits on the Audit and Compliance Committee.

Nevertheless, pursuant to Law 31/2014, amending the Corporate Enterprises Act, this director presented his resignation with effect from 23 February 2015.

Also, and with regard to c) 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. The Secretary also makes the minutes available to Board members.

40. 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.

See sections: C.2.3 and C.2.4

Compliant

41. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management.

Compliant

42. 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.

See section: C.2.3

Compliant

43. 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.

Compliant

44. 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;
- c) 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: E

Compliant

45. The audit committee's role should be:

1.º En relación con los sistemas de información y control interno:

- a) Review internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.
- b) Monitor the independence and efficacy of the internal audit function; proposing 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.
- c) 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.º With respect of the external auditor:

- a) 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.
- b) 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 investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant

46. 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

47. 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 jurisdictions 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: C.2.3 and C.2.4

Compliant

48. 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: C.1.38

Compliant

49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: C.2.1

Compliant

50. The nomination 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: C.2.4

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 70.14%, we believe it is appropriate that the said shareholder directly intervenes in planning and organising these successions.

51. 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

52. 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: C.2.4

Compliant

53. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

H. Other information of interest

1. 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 and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. 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.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption.

A.12. The shares of Endesa, S.A. were listed on the "Off shore" Santiago de Chile stock exchange until 24 December 2014.

B.6. Although there is no express agreement for certain decisions involving structural changes to the Company to be submitted to the general shareholders' meeting, an extraordinary general shareholders' meeting was held on 21 October 2014 to "examine and approve, as the case may be, the sale to Enel Energy Europe, Sociedad Limitada Unipersonal of: (i) 20.3% of the shares of Enersis, S.A. held directly by ENDESA; and (ii) 100% of the shares of Endesa Latinoamérica, S.A. (which in turn holds 40.32% of the share capital of Enersis, S.A.) which are currently held by Endesa, for a total of Euros 8,252.9 million".

C.1.16. Of the 23 people included in the Senior Management Personnel section, 11 were appointed and 6 removed

as a result of the changes to the composition of the Executive Committee in October, and one person caused an appointment in that section by ceasing to be a director. The other 4 people remain members of the Committee.

C.2.1. Pursuant to Law 31/2014, amending the Corporate Enterprises Act to improve corporate governance, Mr. Prado presented his resignation as a member of the Audit and Compliance Committee at the first meeting of the Committee (23 February 2015) following approval of the Law.

E. Risk Control and Management Systems: Pursuant to Law 31/2014, amending the Corporate Enterprises Act to improve corporate governance, at the date of issue of this report, Endesa is reviewing its risk policy for the purposes of application of art. 529 ter (which came into effect on 1 January 2015). This establishes the risk management and control policy, including fiscal risks, as one of the powers of the Board of Directors that may not be delegated subject to the adaptations to competencies set out in the Law.

Code of Best Practices

As set out in section E, Endesa S.A. includes all processes affecting its tax function in its risk control and management systems. In this regard, on 20 December 2010 the Board of Directors of Endesa S.A. approved the adoption of the Code of Best Tax Practice. Pursuant to the provisions of this Code, at its meeting on 23 February 2015 the Audit and Compliance Committee reviewed the tax policies applied during the previous fiscal year.

This annual corporate governance report was adopted by the company's board of directors at its meeting held on 23/02/2015.

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

No

ENDESA Group

Auditor's report on the "Information relating
to Internal Control over Financial Reporting
(ICFR-SCIIF in Spanish)" for 2014



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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 (ICFR-SCIIF IN SPANISH)" OF THE ENDESA GROUP FOR 2014**

To the Directors,

At the request of the management of ENDESA, S.A. (the Parent Company) and its subsidiaries (the Group), and in accordance with our engagement letter dated February 4, 2014, we have performed certain procedures on the accompanying "ICFR-related information" included in the 2014 Annual Corporate Governance Report of the Group, which summarizes the Company's internal control procedures regarding annual financial information.

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 ICFR data.

It is worth noting that apart from the quality of design and operability of the ENDESA Group's internal control system in relation to its annual financial information, 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.

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 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 below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit or a review on the internal control system, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's annual financial information for 2014 described in the accompanying ICFR. Consequently, had we performed procedures additional to those shown in the abovementioned Guidelines, or carried out an audit or review on the internal control 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 Legislative 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:

1. Read and understand the information prepared by the Group in relation to the ICFR - which is provided in the disclosure information included in the Management Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the Annual Corporate Governance Report model established by CNMV Circular nº 5/2013 dated June 12, 2013.
2. 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 Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should, mainly, include that information directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the internal audit function, senior executives and other internal/external specialists in their role supporting the Audit Committee.
4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board of Directors Meetings, Audit Committee, and other Company commissions in order to evaluate the consistency between issues described in the minutes related to the ICFR and information discussed in section 1 above.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the issuance of the information discussed in section 1 above.

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

This report was prepared exclusively within the framework of the requirements of the Spain's Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2, and the Circular nº 5/2013, of June 12, of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

José Agustín Rico Horcajo

February 23, 2015

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