



# Annual Corporate Governance Report

for listed companies

**ISSUER'S PARTICULARS**

**END OF RELATIVE FINANCIAL YEAR:** 31/12/2015

**COMPANY TAX ID (C.I.F.):** A-28023430

**COMPANY TAX ID (C.I.F.):** ENDESA, S.A.

**REGISTERED OFFICES:** C/ RIBERA DEL LOIRA, 60. 28042 MADRID

endesa



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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, S.P.A.	0	742,195,395	70.10%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
Enel, S.P.A.	Enel Iberoamérica, S.L.U.	742,195,395

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

Name or corporate name of shareholder	Date of the transaction	Nature of the transaction
Enel Iberoamérica, S.L.U.	10/12/2015	Decreased 75% Capital
Capital Research And Management Company	19/02/2015	Decreased 5% Capital
Capital Research And Management Company	27/02/2015	Decreased 3% Capital

## 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
José Damián Bogas Gálvez	2,374	0	0.00%
Alejandro Echevarría Busquet	200	0	0.00%
Helena Revoredo Delvecchio	332	0	0.00%
Miquel Roca Junyent	363	0	0.00%
Borja Prado Eulate	15,960	0	0.00%
Francesco Starace	10	0	0.00%
Enrico Viale	2,500	0	0.00%
Livio Gallo	0	0	0.00%
Alberto de Paoli	10	0	0.00%
Ignacio Garralda Ruiz de Velasco	0	30,471	0.00%
Francisco de Lacerda	0	0	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
Ignacio Garralda Ruiz de Velasco	Manila Inversiones Globales SICAV, S.A.	30,471
% of total voting rights held by directors		0.00%

## Complete the following tables on share options held by directors.

## A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

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

## 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	Corporate
ENDESA, S.A. Enel Investment Holding	Corporate	ENDESA, S.A. and Enel Investment Holding BV hold 50% stakes in the share capital of Enel Insurance NV. Enel Insurance NV holds 100% of the share capital of Compostilla RE, S.A.
ENDESA Ingeniería, S.L.U. Enel Sole, S.R.L.	Corporate	ENDESA Ingeniería, S.L.U. (an ENDESA Group subsidiary) and Enel Sole, S.R.L. (an Enel Group subsidiary) hold 50% stakes in the following temporary joint ventures: Mérida, Abarán, Rincón de la Victoria, Bolullos, 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%) (an Enel Group subsidiary) hold stakes in the Móstoles temporary joint venture.
ENDESA Generación, S.A.U. Enel, S.P.A.	Corporate	ENDESA Generación, S.A.U. (an ENDESA Group subsidiary) and Enel S.p.A hold 40.99% and 4.32% stakes in the share capital of Elcogas, S.A., respectively.
ENDESA Generación, S.A.U. Enel Green Power International BV	Corporate	ENDESA Generación, S.A.U. (an ENDESA Group subsidiary) and Enel Green Power International BV (an Enel Group subsidiary) hold 40% and 60% stakes in the share capital of Enel Green Power España, S.L., respectively.

**A.6. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish 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 amendments to or termination of such agreements or concerted actions during the year.**

**A.7. Indicate whether any individuals or bodies corporate currently exercise control or could exercise control**

**over the company pursuant to article 4 of the Securities' Market Act. If so, identify.**

Yes

Related party name or corporate name	Remarks
Enel Iberoamérica, S.L.U.	Enel, S.P.A. is the sole shareholder of Enel Iberoamérica.

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

**At year-end:**

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

**(\*) Through:**

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

**Explain the significant changes:**

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

At the Ordinary General Meeting of 27 April 2015, shareholders authorised the Company and its subsidiaries to acquire treasury shares pursuant to the provisions of Article 146 of Spain's Corporate Enterprises Act.

I. To revoke and make void, as to the unused portion, the authorisation for the derivative acquisition of treasury shares, granted by the Ordinary General Shareholders' Meeting held on 21 June, 2010.

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 146 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.

d) As a consequence of the acquisition of shares, including those purchased previously and held at the time of the acquisition by the company or persons acting on their own behalf but in its stead, the resulting net equity shall not be reduced to below the sum of the share capital plus the restricted reserves established by law or the bylaws, all in accordance with the provisions of letter b) of article 146.1 of Spain's Corporate Enterprises Act.

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.9. (2) Estimated floating capital:**

	%
Estimated floating capital	29.89

#### **A.10. Give details of any restriction on the transfer of securities or voting rights. In particular, indicate any restrictions that could prevent a party from taking control of the company by acquiring its shares 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.**

No

**If so, indicate the different classes of shares and, for each class, the rights and obligations carried thereby.**

# 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.

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

**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. Section revoked.**

**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](http://www.endesa.com). Information on corporate governance can be accessed from the home-page 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

Date of General Meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
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%
27/04/2015	70.17%	13.09%	0.00%	1.53%	84.79%

# 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	Category of director	Position on the board	Date first appoint	Date last appoint	Election procedure
José Damián Bogas Galvez		Executive	Chief Executive Officer	07/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Alejandro Echevarría Busquet		Independent	Director	25/06/2009	22/04/2013	Resolution of the General Shareholders' Meeting
Helena Revoredo Delvecchio		Independent	Director	04/11/2014	27/04/2015	Resolution of the General Shareholders' Meeting
Miquel Roca Junyent		Independent	Director	25/06/2009	22/04/2013	Resolution of the General Shareholders' Meeting
Borja Prado Eulate		Executive	Chairman	20/06/2007	27/04/2015	Resolution of the General Shareholders' Meeting
Francesco Starace		Proprietary	Vice Chairman	16/06/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Enrico Viale		Proprietary	Director	21/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Livio Gallo		Proprietary	Director	21/10/2014	21/10/2014	Resolution of the General Shareholders' Meeting
Alberto de Paoli		Proprietary	Director	04/11/2014	27/04/2015	Resolution of the General Shareholders' Meeting
Ignacio Garralda Ruiz de Velasco		Independent	Director	27/04/2015	27/04/2015	Resolution of the General Shareholders' Meeting
Francisco de Lacerda		Independent	Director	27/04/2015	27/04/2015	Resolution of the General Shareholders' Meeting
<b>Total number of Directors</b>						<b>11</b>

Indicate any board members who left during this period.

### Executive Directors

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

Name or corporate name of director	Post held in the company
José Damián Bogas Gálvez	Chief Executive Officer
Borja Prado Eulate	Chairman
<b>Total number of executive directors</b>	<b>2</b>
<b>% of the board</b>	<b>18.18%</b>



## External Proprietary Directors

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment
Francesco Starace	Enel, S.P.A.
Enrico Viale	Enel, S.P.A.
Livio Gallo	Enel, S.P.A.
Alberto de Paoli	Enel, S.P.A.
<b>Total number of proprietary directors</b>	<b>4</b>
<b>% of the board</b>	<b>36.36%</b>

## Independent External Directors

Name or corporate name of director:	Profile
Alejandro Echevarría Busquet	Born in Bilbao in 1942. 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.
Helena Revoredo Delvecchio	Born in Rosario (Argentina) in 1947. Holds a degree in Business Management and Administration from the Pontifical Catholic University of Argentina and PADE (Business Senior Management Programme) from the IESE Business School. Chairwoman of Prosegur Compañía de Seguridad, S.A., Chairwoman of the Prosegur Foundation.
Miquel Roca Junyent	Born in Cauderan (France) in 1940. Holds a degree in Law from the University of Barcelona and an honorary doctorate from the UNED (Distance Learning University) León, Girona and Cádiz. Chairwoman and Partner of the Roca Junyent Law Firm, Ombudsman for Catalana Occidente.
Ignacio Garralda Ruiz de Velasco	Born in Madrid in 1951. Holds a degree in Law from the Complutense University of Madrid, Chartered Trade Broker and Stock and Exchange Broker. Chairman and CEO of Mutua Madrileña, First Vice Chairman of Bolsas y Mercados Españoles (BME).
Francisco de Lacerda	Born in Lisbon in 1960. Holds a degree in Business Administration from the Catholic University of Portugal. President & CEO of CTT-Correos de Portugal (privatised in 2013, listed on the Lisbon stock exchange), Chairman of Banco CTT, Chairman of Cotec Portugal
<b>Total number of independent directors</b>	<b>5</b>
<b>% of the board</b>	<b>45.45%</b>

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:

Helena Revoredo Delvecchio

Description of the relationship:

During the financial year 2015, ENDESA has renewed their security services contract with Prosegur, which was initially signed in 2012 with a more limited scope. Ms. Revoredo is Chairwoman of that entity and, since 4 November 2014, has been an independent director of ENDESA.

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.

Lastly, indicate that the amount of the services provided to ENDESA by PROSEGUR is not considered 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

The other external directors will be identified and the reasons listed why they cannot be considered proprietary or independent directors and details will be given of 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			
	2015	2014	2013	2012	2015	2014	2013	2012
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	1	0	0	20.00%	33.33%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>9.09%</b>	<b>11.11%</b>	<b>0.00%</b>	<b>0.00%</b>

**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

On 10 November 2015, the Board of Directors approved a specific and attestable Policy for Selecting Directors, which aims for the integration of different management and professional skills and experience (including those that are specific to the businesses performed by the Company, financial and economical, and legal), also promoting, insofar as possible, diversity of age and gender.

Particularly, with regard to gender diversity, the Company's Policy for Selecting Directors establishes the objective of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

**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

ENDESA is convinced that diversity in all of its facets, at all levels of its professional team, is an essential factor for en-

surging the Company's competitiveness and a key element of its corporate governance strategy.

Therefore, it ensures equal opportunities and fair treatment in people management at all levels, maximising the value contribution of those elements that differentiate people (gender, culture, age, capacities, etc.), promoting the participation and development of women in the organisation, especially in leadership positions and, in particular, on the Board of Directors.

In this regard, the Policy for Selecting Directors will promote the objective of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

Selection process:

The Appointments and Remuneration Committee will base its proposals for appointing, ratifying or re-electing on the result of an objective, attestable and transparent selection process, which will start with a preliminary analysis of the Board of Directors' requirements, taking the integration of different management and professional experiences and skills as the objective, and promoting diversity of knowledge, experiences and gender, considering the weight of the different activities performed by ENDESA and taking into account those areas or sectors that must be the object of specific promotion.

In the analysis of the candidatures, the Appointments and Remuneration Committee, taking the Board's requirements into account, will value the following elements:

- i) the candidates' professional and technical skills;
- ii) the candidates' management experience, also taking into account the context in which ENDESA operates;
- iii) the commitment required for performing the role, also assessing the roles already performed by the candidates in other companies;
- iv) the possible existence of conflicts of interest;
- v) the significance of possible professional, financial or commercial relationships, existing or maintained recently, directly or indirectly, of candidates with the Company or with other Group companies; and also
- vi) possible pending procedures, against the candidates, and also any criminal sentences or administrative penalties that the competent authorities may have imposed on them.

In the case of candidates for independent director, the Appointments and Remuneration Committee will especially verify compliance with the requirements for independence established by Law.

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

**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.1.6. (2) Explain the conclusions of the appointments committee on the verification of compliance with the**

**Policy for Selecting Directors. And, in particular, on how this policy is promoting the objective of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.**

#### **Explanation of conclusions**

On 10 November 2015, the Board of Directors approved a specific and attestable Policy for Selecting Directors, which aims for the integration of different management and professional skills and experience (including those that are specific to the businesses performed by the Company, financial and economical, and legal), also promoting, insofar as possible, diversity of age and gender.

Particularly, to comply with the objective of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020, this Committee states that women with the desired professional profile must necessarily be included among the potential candidates in the selection processes.

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

70.101 % of ENDESA's share capital is held by a single shareholder, the company Enel Iberoamérica, S.R.L. The Italian company Enel, S.p.A holds 100% of the shares (and the voting rights) of Enel Iberoamérica, S.R.L.

The Board of Directors of ENDESA, S.A. comprises eleven members: five 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 3% 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 appoint-**

ment 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.**

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

**Name or corporate name of director:**

José Damián Bogas Gálvez

**Brief Description:**

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	Executive duties?
José Damián Bogas Gálvez	Enel Green Power España, S.L.	Director	No
José Damián Bogas Gálvez	ENDESA Generación II	Joint director	No

**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	Mediaset España Comunicación, S.A.	Chairman
Helena Revoredo Delvecchio	Banco Popular Español, S.A.	Director
Helena Revoredo Delvecchio	Prosegur Compañía de Seguridad, S.A.	Chairman
Helena Revoredo Delvecchio	Mediaset España Comunicación, S.A.	Director
Miquel Roca Junyent	ACS, S.A.	Director
Borja Prado Eulate	Mediaset España Comunicación, S.A.	Director
Ignacio Garralda Ruiz de Velasco	Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Vice Chairman
Ignacio Garralda Ruiz de Velasco	Faes Farma, S.A.	Director
Francisco de Lacerda	CTT Correos de Portugal	Chairman

**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.**

Yes

**Explanation of rules**

Article 10 of the ENDESA Bylaws establishes Incompatibilities for Directors and stipulates that any individual sitting on more than four boards of directors of listed companies, or eight organisations in total (including listed and unlisted companies), may not be appointed as a Director of the Company, considering that membership on various boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the Director sits shall not count when said board is that of a company that may submit abbreviated balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.

**C.1.14. Section revoked.**

**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)	5,580
Amount of pension rights accumulated by current directors (thousands of Euros)	10,701
Amount of pension rights accumulated by former directors (thousands of Euros)	3,125

**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 Secretary and Secretary of the Board of Directors
Javier Uriarte Monereo	General Manager Marketing
Pablo Azcoitia Lorente	General Manager Procurement
José M <sup>a</sup> Grávalos Lasuen	General Manager Nuclear
Fernando Ferrando	General Manager Sustainability
Salvador Montejo Velilla	Secretary of the Board
Álvaro Quiralte Abelló	General Manager Energy Management
José Luis Puche Castillejo	General Manager Resources
Alberto Fernández Torres	General Manager Communication
Ricardo Pérez Blanco	General Manager Legal and Corporate Affairs
Manuel Marín Guzmán	General Manager ICT
José Casas Marín	General Manager Institutions and Regulation
Enrique Durand Baquerizo	General Manager Audit
Manuel Moran Casero	General Manager Generation
Paolo Bondi	General Manager Administration, Finance and Control
Andrea Lo Faso	General Manager HR and Organisation
Francesco Amadei	General Manager Infrastructure and Networks
María Malaxechevarría Grande	General Manager Sustainability
<b>Total remuneration received by senior management (thousands of Euros)</b>	<b>12,178</b>

**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
José Damián Bogas Gálvez	Enel Iberoamerica, S.L.U.	Director
Borja Prado Eulate	Enel Iberoamerica, S.L.U.	Director
Francesco Starace	Enel, S.P.A.	Chief Executive Officer
Francesco Starace	Enel Iberoamerica, S.L.U.	Chairman
Enrico Viale	Cesi	Director
Enrico Viale	Empresa Nacional de Electricidad, S.A.	Chairman
Livio Gallo	Enel Distribuzione S.P.A.	Chairman
Livio Gallo	Chilectra, S.A.	Chairman
Alberto de Paoli	Enersis, S.A.	Director
Francesco Starace	Enersis, S.A.	Vice Chairman
Alberto de Paoli	Enel Italia	Director
Alberto de Paoli	Enel Green Power, S.P.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.**

Name or corporate name of linked director	Name or corporate name of linked significant shareholder	Description of relationship
Alberto de Paoli	Enel, S.P.A.	General Manager-Administration, Finance and Control
Livio Gallo	Enel, S.P.A.	Head of Infrastructure and Global Networks
Enrico Viale	Enel, S.P.A.	Generation Manager

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

Yes

#### Description of amendments

The purpose of the regulations is set out in article 1.

Section 2 of article 2 of the regulations goes deeper into the system of disseminating the same, expressly providing for the publication of the regulations on the Company website, their registration with the Commercial Registry and reporting of them to the General Shareholders' Meeting.

Article 5 introduces a new article dedicated to the general principles that must govern the actions of the Board of Directors.

Article 6 reorders the duties and powers attributed to the Board of Directors.

Articles 7 and 8 on the composition of the Board of Directors qualify the definition of the different categories of directors.

Article 9 provides for the approval of a specific and attestable policy for selecting candidates for the office of director that favours transparency throughout the process of selecting and appointing directors.

Article 10 limits the maximum number of boards of directors of companies not belonging to the Group that its directors

may sit on. Specifically, it provides that ENDESA directors may not sit on more than four boards of directors of listed companies.

Article 12 states that independent directors must tender their resignation to the Board, when there is just cause... and, in the case of proprietary directors, when the shareholders they represent transfer their equity stake in its entirety, or reduce it; in the latter case, the corresponding number of proprietary directors will be reduced.

Article 13, in relation to the role of Chairman expressly recognised as executive director: The appointment shall require the favourable vote of at least two thirds of the members of the Board.

The new article 14 regulates the role of the Coordinating Director.

Article 16 contains some duties of the Secretary of the Board not expressly set out until now. It also regulates the role of the Vice Secretary of the Board of Directors.

Articles 17 and 18, in relation to meetings of the Board of Directors and meeting notices for the same, introduce several improvements. Each director may individually propose other agenda items not initially included and any items requested by the Coordinating Director shall be included.

Article 20 establishes that non-executive directors may only delegate their proxy to another non-executive.

Article 21 clarifies that the creation of the Executive Committee is optional whereas the two Board Committees, the Audit and Compliance Committee and the Appointments and Remuneration Committee, must be constituted by law.

Article 23, on the Audit and Compliance Committee, incorporates the changes introduced by article 529 (14) of the LSC relating to its composition and duties. Amongst others, approving the focus and work plan of internal auditing, increasing its powers in relation to the external auditor, and attributing it the duty of remaining apprised of any transactions that would implement structural changes. Along with the content of recommendations 40 to 44 and 53 of the Good Governance Code.

Article 24, which regulates the composition and powers of the Appointments and Remuneration Committee incorporates the powers introduced by article 529 (15) of the LSC and recommendations 25 and 50 of the Good Governance Code.

Articles 25 and 26 establish the general framework of directors' duties. Diligence in performing the role will be assessed according to the duties entrusted to each director, and there is an express obligation for the director to act independently without interference from third parties.

Article 27 substantially reproduces the content of article 228 of the LSC, likewise modified by Law 31/2014. Lastly, article 28, in relation to conflicts of interest, contains the content of article 229 of the LSC. It is listed as behaviour contrary to the duty of loyalty.

The new article 29 contains the duty to request and the right to gather all information from the Company which may be appropriate or necessary in order to perform the role, substantially reproducing the current system.

The reform of the remuneration system contained in article 30 reproduces the changes introduced in article 41 of the Company's Bylaws on the reform approved by the General Shareholders' Meeting on 27 April 2015. The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Article 31 states that the Board of Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the Company and its group. Likewise, in relation to the Company's website, it is established that the Board may delegate the duty to maintain the website up to date and ensure the adequacy of the content thereof to the Board Secretary.



In a similar regard, article 33, with regard to relationships with auditors, it is established that the Board of Directors shall hold an annual meeting with the external auditor in order to be informed regarding the work performed and the financial position of and risks faced by the Company.

**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 vacancies arising on the Board of Directors, the same shall appoint Directors, following a report by the Appointments and Remuneration Committee, until the next General Shareholders' Meeting is held (article 6 of the Board of Directors' Regulations).

Likewise, the Appointments and Remuneration Committee is vested with the duty of submitting proposals for the appointment of independent directors, and reporting the proposed appointment of other Directors, to the Board for their appointment by co option or for submission to the General Shareholders' Meeting for their decision. (art. 53 of the Company Bylaws and article 9 of the Board of Directors' Regulations).

Proposals for the appointment of Directors brought by the Board, based on a proposal or report from the Appointments and Remuneration Committee, shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein (article 9 of the Board of Directors' Regulations). In this regard, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has approved a specific and attestable policy for selecting candidates for the role of director which ensures that the proposed appointments of directors are based on a prior analysis of the Board's requirements, and favours diversity of knowledge, experience and gender.

Furthermore, the Appointments and Remuneration Committee must assess the skills, knowledge and experience needed on the Board of Directors (art. 24 of the Board of Directors' Regulations).

Furthermore, the ENDESA policy for selecting candidates for the office of director, approved by the Board of Directors, has established plans for the succession of the Chairman of the Board of Directors and of the Company's Chief Executive Officer.

*Re-election:*

At ENDESA, Directors can be reappointed (art. 9 of the Board of Directors' Regulations). The term of office of Directors shall be four years and they may be re-elected for periods of like duration (article 39 of the Bylaws).

In accordance with the provisions of article 9 of the Board of Directors' Regulations, the proposed re-election of Directors made by the Board of Directors to the General Shareholders' Meeting shall be made at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors, and following a report by said Committee for all other types of Directors.

*Evaluation:*

Article 6.6 of the Board of Directors' Regulations stipulates that, on an annual basis, the Board of Directors shall assess the quality and efficiency of the Board's operation following a report from the Appointments and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the Chief Executive Officer, based on the report from the Appointments and Compensation Committee, and the operation and composition of its Committees and of the Executive Committee, as the case may be, in view of the report submitted thereto by said Committees.

The Board of Directors shall propose, based on the results of the assessment, an action plan to correct any identified deficiencies. The results shall be included in the meeting minutes or as an attachment thereto. Every three years, the Board of Directors shall be assisted in carrying out an assessment by an independent external consultant.

#### Removal:

The position of Director may be renounced and revoked (art. 9 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 12 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, the bylaws and these regulations. Pursuant to article 38 of the Bylaws, the General Meeting shall be responsible for the removal of members of the Board of Directors.

In addition, Directors shall cease in their position and tender their resignation to the Board, based on a proposal or report from the Appointments and Remuneration Committee, with reference to Independent Directors or other categories of Directors, respectively, when: their remaining on the Board of Directors may impair the credit and reputation of the Company, or they are subject to any instance of incompatibility or prohibition, or the shareholders that they represent transfer their equity stake in its entirety, or reduce it. In the latter case, the corresponding number of proprietary directors will be reduced. Finally, in the event that a Director ceases in his or her position 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 material fact, a report must be given on the reason for the removal in the Annual Corporate Governance Report.

#### **C.1.20. Explain to what extent the Board's annual evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities.**

##### **Description of amendments**

As a result of the annual evaluation of the operation of the Board and of its Committees, an action plan has been proposed that includes the drawing up of Audit and Compliance Committee Regulations, which lists its powers and manner of operating.

#### **C.1.20. (2) Describe the evaluation process and the areas evaluated by the Board of Directors aided, where**

**applicable, by an external consultant, with regard to diversity in its composition and powers, the operation and composition of its committees, the performance of the Chairman of the Board and the Chief Executive Officer and the performance and contribution of each Director.**

In December 2015, advised by KPMG, the ENDESA S.A. Board of Directors was self-assessed, complying with art. 529 (9) LSC and recommendation 36 of the Good Governance Code for CNMV Listed Companies, which states that the Plenary of the Board of Directors must evaluate and adopt, where applicable, an action plan once a year, to correct any deficiencies detected, regarding:

- > The quality and efficiency of the operation of the board of directors.
- > The operation and composition of its committees.
- > Diversity in the composition and powers of the Board of Directors.
- > The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.
- > The performance and contribution of each director, paying special attention to the managers of the Board's different board committees.

The following aspects were differentiated in the assessment process:

- > Assessment and self-assessment of the Board of Directors, the Audit Committee, the Appointments and Remuneration Committee, the Chairman of the Board, the Chief Executive Officer and the Secretary of the Board of Directors by the members. Questionnaires and personal interviews with the Directors were included in this process.
- > ENDESA positioning with regard to the recommendation of relevant investors in the area of corporate governance and proxy voting.
- > Benchmark for the Sector.



- > Improvement actions to be implemented in 2016, for the purpose of correcting deficiencies detected.

**C.1.20. (3) List, where applicable, the business relationships that the consultant or any company in its group maintains with the Company or any Group company.**

With regard to attesting to the independence of the consultant, KPMG followed the procedures established by the Firm and, to the best of its knowledge, it considers it to be a service allowed under KPMG and Spanish independence rules as it is not a prohibited service and any threats to independence are reduced to an acceptably low level.

- > KPMG has invoiced ENDESA approximately €1,400,000 in 2015, and annual KPMG turnover is approximately €320.
- > KPMG has provided ENDESA with consultancy services (corporate, strategic, and business assessment consultancy); advisory services; and legal services, amongst others.
- > The participation of KPMG will be limited to the scope of consultancy, and the process will be controlled and managed, at all times, by the project managers at ENDESA, so that there can be no threat to independence in the provision of this service, as a consequence of the assumption of management responsibility.

**C.1.21. Indicate the cases in which Directors must resign.**

Directors must tender their resignation in the events described in article 12.2 of the Board of Directors' Regulations.

In this regard, the Directors must tender their resignation to the Board of Directors when their remaining on the Board of Directors may impair the credit and reputation of the Company, or they are subject to any of the cases of incompatibility or prohibition provided by law or the bylaws or in the Board of Directors' Regulations.

Additionally, independent directors must tender their resignation to the Board of Directors when just cause is found by the Board, following a report by the Appointments and Remuneration Committee, and proprietary directors when the

shareholders that they represent transfer their equity stake in its entirety, or reduce it. In the latter case, the corresponding number of proprietary directors will be reduced.

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

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 (article 12.4 of the Board of Directors' Regulations).

**C.1.22. Section revoked.**

**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**

In accordance with what is established in article 47 of the bylaws, "Resolutions shall be adopted by absolute majority of the Board Members who, present or represented, are in attendance at 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 any limitation has been stipulated regarding the categories that can be appointed proxy, other than any limitations imposed by law. If so, give brief details.**

Article 45 of the Company Bylaws and article 20.2 of the Board of Directors' Regulations state that each director may grant a proxy to another member of the Board of Directors. Proxies shall be granted in writing and specifically for each Board Meeting. No director may hold more than three proxies, with the exception of the Chairman, to whom this limit shall not apply, although he may not represent the majority of the Board of Directors. Non-Executive Directors may only delegate their proxy to another non-executive.

**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	11
Number of board meetings held in the absence of the chairman	0

**If the chairman is the executive director, indicate the number of board meetings held in the absence and without representation on behalf of any executive director and chaired by the coordinating director.**

Number of meetings	0
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**Indicate the number of meetings of the various board committees held during the year.**

Committee	Number of meetings
Audit and Compliance Committee	9
Appointments and Remuneration Committee	7
Executive Committee	0

**C1.30. Indicate the number of board meetings held during the year with all members in attendance. This calculation should include attendance through proxy when specific instructions were given.**

Number of meetings attended by all directors	6
% of attendances of the total votes cast during the year	94.78%

**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
José Damián Bogas Gálvez	Chief Executive Officer
Paolo Bondi	General Manager of Administration, Finance and Control

**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

**If the secretary is not a director, complete the following table:**

Name or corporate name of the secretary	Representative
Francisco Borja Acha Besga	

**C.1.34. Section revoked.**

**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 and, therefore, it shall:

- > Liaise with external auditors or audit firms in order to receive information on all matters which may place at risk their independence, for examination by the committee, and any others related to the procedures concerning the audit of the accounts, as well as those communications as provided by account auditing laws and technical auditing standards.
- > Supervise the efficiency of the Company's internal control, internal auditing and risk management systems, including tax risk, and also discuss, with the auditor, the significant weaknesses of the internal control system detected while performing the audit.
- > Supervise the process for preparation and presentation of requisite financial reporting.

- > Make recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor, and the terms of his or her engagement, and receive regular information from him or her on the progress and findings of the audit programme, besides preserving independence in the exercise of his or her duties.

In any case, the Audit and Compliance Committee shall also receive annually from the external auditors a statement of their independence vis-à-vis the Company and/or entities directly or indirectly related to the Company, as well as information on the additional services of any type rendered and the corresponding fees received from these entities by the external auditor or by persons or entities related to him or her, in accordance with the provisions of audit legislation.

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.**

No

**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	5	5
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	14.28%	18.52%

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

Yes

#### Details of the procedure

Article 29 of the Board of Directors' Regulations governs the right to advice and information: The Directors, as required to perform their duties, have access to all of the Company's services and have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, as well as any advising required in relation to any matter. The right to information extends to investors and the request will be made by the Chairman through the Board Secretary and conveyed by the Managing Director.

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

The majority of the Directors and the Coordinating Director may make proposals to the Board regarding the engagement, at the Company's expense, of such legal, accounting, technical, financial, commercial or other advisers as they consider necessary in order to assist them in performing their duties as related to 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 Chief Executive Officer. The Board may refuse to approve financing for the advisory services referred to in the preceding paragraph on the grounds that they are not necessary for the performance of the 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 Company Bylaws states that Directors shall have the necessary dedication and shall adopt those measures necessary for the proper management and control of the Company.

In carrying out their functions, the Directors have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to carry out their duties.

Likewise, article 18 of the Board of Directors' Regulations stipulates that the call to meeting of the Board shall be made with the required notice, at least 48 hours before the date set for the meeting, to each of the directors and shall include the agenda, clearly identifying the items on which the Board of Directors shall make a decision or adopt a resolution so that the directors may study or gather, in advance, the information required to make such decisions.

Finally, and as a consequence of the Board of Directors' self-assessment performed in December 2015, there is a proposal to send the information to the Directors at least 72 hours in advance, in 2016, without prejudice to the obligation of giving more notice for complex matters.

**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**

Directors must tender their resignation in the events described in article 12.2 of the Board of Directors' Regulations.

In this regard, the Directors must tender their resignation to the Board of Directors when their remaining on the Board of Directors may impair the credit and reputation of the Company, or they are subject to any of the cases of incompatibility or prohibition provided by law or the bylaws or in the Board of Directors' Regulations.

Additionally, independent directors must tender their resignation to the Board of Directors when just cause is found by the Board, following a report by the Appointments and Remuneration Committee, and proprietary directors when the shareholders that they represent transfer their equity stake in its entirety, or reduce it. In the latter case, the corresponding number of proprietary directors will be reduced.

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

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 (article 12.4 of the Board of Directors' Regulations).

**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 4,950 million Euros, with an outstanding debt of 3,650 million Euros as of 31 December 2015, that might have to be repaid early in the event of a change of control over ENDESA.

**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:** 24

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

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 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
Is the General Shareholders' Meeting informed of such clauses?	Yes	No
	X	

## C.2. Board committees

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

### Audit and Compliance Committee

Name	Position	Category
Alejandro Echevarría Busquet	Member	Independent
Helena Revoreda Delvecchio	Member	Independent
Miquel Roca Junyent	Chairman	Independent
Alberto de Paoli	Member	Proprietary
Ignacio Garralda Ruiz de Velasco	Member	Independent
Francisco de Lacerda	Member	Independent

% of proprietary directors	16.67%
% of independent directors	83.33%
% of other external directors	0.00%

**Explain the functions attributed to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

The Audit and Compliance Committee, hereinafter ACC, shall be formed by a minimum of three and a maximum of six members of the Board of Directors, appointed pursuant to the proposal of the Appointments and Remuneration Committee with the favourable vote of the majority of the Board itself. It will be composed exclusively by non-executive directors.

The Board of Directors shall strive to appoint all the members of the ACC and, especially, its Chairman, bearing in mind their knowledge and experience, and the latter shall be appointed by the Board of Directors from among the independent directors that form part of the Committee and must be replaced every four years.

The ACC will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.

Resolutions must be adopted with the favourable vote of the majority of the Directors attending the meeting. In the

event of a tie, the Chairman or Acting Chairman will have the casting vote.

The ACC may seek external advice. The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions.

The main task of the Committee is to promote good corporate governance and ensure the transparency of all actions of the Company in the areas of economics and finance, external audits, compliance and internal audits and, in any event, it will be entrusted with the following functions:

- A) To notify the General Shareholders' Meeting regarding matters arising within the scope of the Committee's competence.
- B) To monitor the effectiveness of the Company's internal controls and risk management systems, including tax risks, as well as to discuss any significant weaknesses in the internal control system detected during the audit with external auditors.
- C) To supervise the preparation and presentation of all required financial information.
- D) To supervise internal audits, which entails, inter alia, the following duties:
  - 1. To strive for the independence and efficiency of the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan.
  - 2. To establish and monitor a mechanism that allows employees to communicate any potentially important irregularities in a confidential manner.
- E) To make proposals to the Board for the selection, re-election and substitution of the external auditor, as well as regards the conditions for contracting said auditor.
- F) To regularly receive information from the external auditor regarding the audit plan and the results of the execution thereof.

- G) To ensure the independence of the external auditor in accordance with the LSC and the Good Governance Code.
- H) To remain apprised of any transactions that would implement structural changes.
- I) To report proposed amendments to the Company's Code of Ethics and monitor compliance therewith.
- J) To monitor the communications strategy and relationships with shareholders and investors, including small and medium shareholders.
- K) To monitor compliance with the Company's corporate governance rules and regularly assess whether the corporate governance system is appropriate.
- L) To review the Company's corporate social responsibility policy.
- M) To monitor the corporate social responsibility strategy and practices and assess compliance therewith.
- N) To monitor and assess the engagement processes for different interest groups.
- O) To assess all aspects related to the Company's non-financial risks.
- P) To coordinate the process for reporting non-financial and diversity information.

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

The ACC may call a meeting with any employee or executive of the Company. The ACC shall report to the Board on the following matters:

- A) The financial information that, due to its status as a listed company, the Company shall periodically make public, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- B) Related-party transactions, under the terms regulated by the Board of Directors.



The Committee's most important actions in 2015 were in relation to:

- > 2014 Annual Accounts along with the intermediate statements and half-yearly report 2015.
- > Audit Plan and operation of the Ethics Channel in 2014 and Audit Plan and budget for 2015.
- > Study of the monitoring of audit recommendations and Activities Plan in relation to the Criminal Risk Prevention Model 2015.
- > Audit report from the external auditors 2014 and fees for external auditors and provision of additional services 2015.
- > Internal financial information risk control and management systems for 2014 and first six months 2015.
- > Annual Corporate Governance Report.
- > ACC Activities Report for 2014 and Auditor Independence Report.
- > Policy for communications and contact with shareholders, institutional investors and vote advisors for ENDESA; Corporate Governance Policy for ENDESA, S.A. and its group of companies; Risk Policy and Tax Policies 2014.
- > ENDESA Sustainability Plan for 2015-2019.
- > ENDESA Regulations for Related-party Transactions.

Lastly, self-assessment was performed with assessment by KPMG, the Board of Directors and its Committees.

**Identify the director who is a member of the Audit Committee and has been appointed in consideration of his or her knowledge and experience in the area of accounting, auditing or both an report on the number of years that the Chairman of this committee has held the position.**

**Name of director with experience:** Ignacio Garralda Ruiz de Velasco

**No. of years chairman in role:** 3

## Appointments and Remuneration Committee

Name	Position	Category
Alejandro Echevarría Busquet	Chairman	Independent
Helena Revoredo Delvecchio	Member	Independent
Miquel Roca Junyent	Member	Independent
Alberto de Paoli	Member	Dominical
Ignacio Garralda Ruiz de Velasco	Member	Independent
Francisco de Lacerda	Member	Independent

% of proprietary directors	16.67%
% of independent directors	83.33%
% of other external directors	0.00%

**Explain the functions attributed to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

The Appointments and Remuneration Committee, hereinafter ARC, shall be formed by a minimum of three and a maximum of six non-executive members of the Board of Directors, appointed with the favourable vote of the majority of the Board itself, at least two of whom must be independent directors. The Chairman of the Appointments and Remuneration Committee shall be appointed by the Board of Directors from among the Independent Directors who are members of the committee, with the favourable vote of the majority of the Board itself.

The ARC will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.

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

The ARC may seek external advice. The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions. The ARC may call a meeting with any employee or executive of the Company.

The Appointments and Compensation Committee shall have the following duties:



- A) To assess the skills, knowledge and experience needed on the Board of Directors. For such purpose, the Committee shall define the duties and skills that the candidates must have in order to cover each vacancy and shall consider the time and dedication required in order to properly perform their mandate, ensuring that, in particular, non-executive directors have enough time to properly perform their duties.
- B) To establish a representation objective for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives.
- C) To raise all proposals for nomination of Independent Directors to the Board of Directors for their appointment by co-option or by submission to decision of the General Shareholders' Meeting, as well as all proposals for the re-election or removal of said Directors by the General Shareholders' Meeting.
- D) To report all proposals for appointment of the remaining Directors to the Board of Directors for their appointment by co-option or by submission to decision of the General Shareholders' Meeting, as well as all proposals for their re-election or removal by the General Shareholders' Meeting.
- E) To propose to the Board of Directors the members to form part of the Executive Committee, where there is one, and each one of the Committees.
- F) To report on proposals for the appointment or removal of Senior Executives together with the key terms of their contracts and remuneration.
- G) To propose the adoption of remuneration arrangements for Senior Management that take into account the earnings of the companies. Also, it must ascertain and assess the Company's policy on executives, particularly in the areas of training, promotion and recruitment.
- H) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the ARC.
- I) To assess and organise the succession of the Chairman of the Board of Directors and of the Company's Chief Ex-

ecutive Officer and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.

- J) To propose the Directors' Compensation Policy to the Board of Directors, as well as individual remuneration and other contract terms for Executive Directors, ensuring compliance therewith.
- K) To verify information regarding remuneration of Directors and Senior Executives provided in various corporate documents, including the annual report on remuneration of directors.

These duties will be deemed to be without limitation and without prejudice to such other duties as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters falling specifically within its jurisdiction.

The Appointments and Remuneration Committee shall consult the Chairman and the Chief Executive Officer of the Company, especially when dealing with matters relating to Executive Directors and Senior Management. Any Director may request that the ARC take into consideration, if deemed suitable, potential candidates to fill vacancies in the position of Director.

The Committee's main actions in 2015 were in relation to:

- > Reporting the renewal of the Board of Directors, proposing the appointment of two independent directors.
- > Reporting the appointment of the coordinating director.
- > Reporting on compliance and proposal of objectives and variable remuneration set for Senior Management.
- > Information on Senior Management appointments, resignations and remuneration matters.
- > Reporting proposals for appointments to the Executive Committee.
- > Assessment of the Board of Directors.
- > Reporting the policy for selecting candidates for the role of director for ENDESA, S.A.; Corporate Governance Policy for ENDESA, S.A. and its group of companies.

## Executive Committee

Name	Position	Category
José Damián Bogas Gálvez	Member	Executive
Miquel Roca Junyent	Member	Independent
Borja Prado Eulate	Chairman	Executive
Francesco Starace	Member	Proprietary
Alberto de Paoli	Member	Proprietary
Alejandro Echevarría Busquet	Member	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent

% of executive directors	28.57%
% of proprietary directors	28.57%
% of independent directors	42.86%
% of other external directors	0.00%

**Explain the functions attributed to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

Article 22 of the Board of Directors' Regulations, which regulates the composition and operating system of the Executive Committee, in the first place, establishes its optional nature, and also establishes the following organisational and operational rules:

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

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 shall be as stipulated for the Board of Directors.

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

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

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

Resolutions of the Executive Committee on matters for which it has been delegated powers by the Board shall be implemented as soon as they have been adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so advises, the resolutions of the Executive Committee will be submitted for subsequent ratification by the Board.

The Secretary of the Executive Committee shall be that of the Board of Directors and will draft minutes of the resolutions passed and inform the Board of the same. The minutes must be available to all Board members

It must be highlighted that the Executive Committee did not meet in 2015.

**Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different categories of Director.**

Yes

**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							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	16.65%	1	20.00%				
Appointments and Remuneration Committee	1	16.65%	1	25.00%				
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

### **C.2.3. Section revoked**

### **C.2.4. Section revoked.**

### **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 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](http://www.endesa.com). Both the Bylaws and the Board of Directors' Regulations were amended in 2015, and those amendments affect the composition and duties of the committee in accordance with the LSC and the Good Governance Code. Specifically, article 23 of the Board of Directors' Regulations, on the Audit and Compliance Committee, incorporates the provisions of article 529 (14) of the LSC in relation to its composition and its duties.

In this regard, the main features are an increase in its duties, containing the content of recommendations 40, 41, 42, 43 and 44 of the Good Governance Code, by attributing to the Audit and Compliance Committee the approval of the focus and work plan to ensure the activity is primarily focussed on relevant risks for the Company, notably increasing its powers in relation to the external auditor, and by attributing to it the duty of remaining apprised of any transactions that would implement structural changes, *inter alia*.

Likewise, taking the Code into account and due to the relevance of corporate governance and corporate social responsibility, the Audit and Compliance Committee is attributed the duties listed in recommendation 53. Specifically, the duties are incorporated of supervising compliance with corporate governance rules, the code of ethics and corporate social responsibility policy, the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders, and also stakeholders, the evaluation of all aspects of the non-financial risks, and coordination of non-financial and diversity reporting processes, *inter alia*.

The Audit Committee draws up, *inter alia*, the annual activity report for the Audit and Compliance Committee.

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](http://www.endesa.com). Both the Bylaws and the Board of Directors' Regulations were amended in 2015, and these amendments affect the composition and duties of the Committee, in accordance with the LSC and the Good Governance Code. Specifically, the following are now included among the duties of the Committee: "To ensure that non-executive directors have enough time to properly perform their duties"; "To establish a representation objective for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives";

"To report on proposals for the appointment Senior Executives together with the key terms of their contracts, including compensation"; "To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee"; To assess and organize the succession of the Chairman of the Board of Directors and of the Company's Chief Executive Officer and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion"; "To propose the Directors' Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring compliance therewith"; and "To verify information regarding compensation of Directors and Senior Executives provided in various corporate documents, including the annual report on director compensation"

The Appointments and Remuneration Committee has drawn up an Activity Report for 2015.

The Executive 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](http://www.endesa.com). Both the Bylaws and the Board of Directors' Regulations were amended in 2015, and these amendments affect this Committee. It is specifically established: that the creation of the Executive Committee is optional; that the breakdown of its members by Director category should be similar to that of the Board itself; and that, in the event of an emergency, which is duly justified, the Executive Committee may adopt decisions reserved for the Board of Directors, without prejudice to them being ratified at the next meeting of the Board after the decision is adopted.

### **C.2.6. Section revoked.**

# D. Related-Party and Intragroup Transactions

## **D.1. Explain, if applicable, the procedures for approving related-party or intragroup transactions.**

### **Procedure for reporting the approval of related-party transactions**

#### **Transactions Relating to Directors**

Preliminary clearance request for the transaction: ENDESA Directors must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that they or their related parties intend to perform with ENDESA or with any company in the ENDESA Group, prior to performing it.

Approval of the transaction by the Board: The Audit and Compliance Committee will analyse the transaction and issue a report, for which purpose it may request any information it deems fit through the General Secretary and the Board of Directors. In accordance with the provisions of the Board of Directors' Regulations, the Audit and Compliance Committee may use any external advisors it deems fit to issue this report.

The Audit and Compliance Committee report will be submitted to the Board of Directors so that it may rule as appropriate in relation to authorising the transaction.

Obligation to abstain from participating in decision-making: Directors who are going to perform the transaction or related to the party who is going to perform it or who, for any reason, are affected by a conflict of interests must abstain from participating in the deliberation and voting on the agreement in question, so that the independence is guaranteed of the Directors approving the related-party transaction in relation to the Directors affected by it.

#### **Transactions Related to Significant Shareholders:**

Preliminary clearance request for the transaction: ENDESA Group Senior Management must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that ENDESA or any company in the ENDESA Group intends to perform with significant shareholders or their related parties. Likewise, the Senior Management must inform ENDESA's Administration, Finance and Control General Manager of this request.

Approval of the transaction by the Board: The Audit and Compliance Committee will analyse the transaction and issue a report, for which purpose it may request any information it deems fit through the General Secretary and the Board of Directors. In accordance with the provisions of the Board of Directors' Regulations, the Audit and Compliance Committee may use any external advisors it deems fit to issue this report.

The Audit and Compliance Committee report will be submitted to the Board of Directors so that it may rule as appropriate in relation to authorising the transaction.

Obligation to abstain from participating in decision-making: And Director who is also the significant shareholder affected or is related to the latter, and also any Directors who have been appointed at the request of the aforementioned significant shareholder or who, for any other reason, are affected by a conflict of interest, must abstain from participating in the deliberation and voting on the agreement in question.

## **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 Iberoamérica, S.L.U.	ENDESA Financiación Filiales	Contractual	Interest paid	144
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Management contracts	3,207
Enel, S.P.A.	ENDESA Energía XXI, S.L.	Contractual	Management contracts	19
Enel, S.P.A.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Management contracts	146
Enel, S.P.A.	ENDESA Servicios, S.L.	Contractual	Management contracts	3
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Management contracts	1,688
Enel, S.P.A.	Empresa Carbonífera del Sur, S.A.	Contractual	Management contracts	3
Enel, S.P.A.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Management contracts	48
Enel, S.P.A.	Gas y Electricidad Generación, S.A.	Contractual	Management contracts	739
Enel, S.P.A.	Energías de Aragón, S.A.	Contractual	Management contracts	10
Enel, S.P.A.	Distribuidora Eléctrica del Puerto de la Cruz, S.A.	Contractual	Management contracts	24
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Management contracts	57
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Management contracts	609
Enel, S.P.A.	ENDESA Ingeniería, S.L.	Contractual	Management contracts	40
Enel, S.P.A.	ENDESA, S.A.	Contractual	Interest paid	124,917
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Interest paid	300
Enel, S.P.A.	ENDESA Financiación Filiales	Contractual	Interest paid	864
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Operating lease agreements	73
Enel, S.P.A.	Distribuidora Eléctrica del Puerto de la Cruz, S.A.	Contractual	Services rendered	3
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Services rendered	9,598
Enel, S.P.A.	ENDESA Energía XXI, S.L.	Contractual	Services rendered	10
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Services rendered	586
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Services rendered	10,839
Enel, S.P.A.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	299
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Services rendered	497
Enel, S.P.A.	ENDESA, S.A.	Contractual	Services rendered	788
Enel, S.P.A.	Gas y Electricidad Generación, S.A.	Contractual	Services rendered	862
Enel, S.P.A.	Hidroeléctrica de Catalunya, S.L.	Contractual	Services rendered	10
Enel, S.P.A.	International ENDESA BV	Contractual	Services rendered	140
Enel, S.P.A.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Services rendered	1,464
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Purchase of finished goods and work in progress	91,460
Enel, S.P.A.	ENDESA Energía XXI, S.L.	Contractual	Purchase of finished goods and work in progress	20
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Purchase of finished goods and work in progress	136,232
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Purchase of finished goods and work in progress	28,054
Enel, S.P.A.	ENDESA Ingeniería, S.L.	Contractual	Purchase of finished goods and work in progress	50
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Other	4,471
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Other	849,600
Enel, S.P.A.	ENDESA Financiación Filiales	Contractual	Interest charged	6
Enel, S.P.A.	ENDESA, S.A.	Contractual	Interest charged	5,092
Enel, S.P.A.	ENDESA, S.A.	Contractual	Management contracts	5,456
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Operating lease agreements	80
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Operating lease agreements	965
Enel, S.P.A.	ENDESA Servicios, S.L.	Contractual	Operating lease agreements	650
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Rendering of services	1,036
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Rendering of services	111
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Rendering of services	741
Enel, S.P.A.	ENDESA Ingeniería, S.L.	Contractual	Rendering of services	90
Enel, S.P.A.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Rendering of services	45
Enel, S.P.A.	ENDESA Red, S.A.	Contractual	Rendering of services	136
Enel, S.P.A.	ENDESA Servicios, S.L.	Contractual	Rendering of services	160
Enel, S.P.A.	ENDESA, S.A.	Contractual	Rendering of services	810
Enel, S.P.A.	ENDESA Energía, S.A.	Contractual	Sale of finished goods and work in progress	39,077
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Sale of finished goods and work in progress	118,410
Enel, S.P.A.	ENDESA, S.A.	Contractual	Other	4,818
Enel, S.P.A.	ENDESA Distribución Eléctrica	Contractual	Property, plant and equipment purchases	6,269
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Property, plant and equipment purchases	317,303
Enel, S.P.A.	ENDESA, S.A.	Contractual	Financing agreements: loans	4,700,000
Enel, S.P.A.	ENDESA, S.A.	Contractual	Guarantees	126,000

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	Contractual	Call commitments	237,100
Enel, S.P.A.	ENDESA Generación, S.A.	Contractual	Call commitments	62,150
Enel Iberoamérica, S.L.U.	Asociación Nuclear Ascó-Vandellós II, AIE	Contractual	Services rendered	182
Enel Iberoamérica, S.L.U.	Empresa Carbonífera del Sur, S.A.	Contractual	Services rendered	406
Enel Iberoamérica, S.L.U.	ENDESA Distribución Eléctrica	Contractual	Services rendered	58,410
Enel Iberoamérica, S.L.U.	ENDESA Energía, S.A.	Contractual	Services rendered	39,827
Enel Iberoamérica, S.L.U.	ENDESA Generación, S.A.	Contractual	Services rendered	12,476
Enel Iberoamérica, S.L.U.	ENDESA Ingeniería, S.L.	Contractual	Services rendered	110
Enel Iberoamérica, S.L.U.	ENDESA Operaciones y Servicios Comerciales, S.L.	Contractual	Services rendered	9,653
Enel Iberoamérica, S.L.U.	ENDESA Red, S.A.	Contractual	Services rendered	1,018
Enel Iberoamérica, S.L.U.	ENDESA Servicios, S.L.	Contractual	Services rendered	165
Enel Iberoamérica, S.L.U.	ENDESA, S.A.	Contractual	Services rendered	24,142
Enel Iberoamérica, S.L.U.	Gas y Electricidad Generación, S.A.	Contractual	Services rendered	1,313
Enel Iberoamérica, S.L.U.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Services rendered	2,453
Enel Iberoamérica, S.L.U.	ENDESA, S.A.	Contractual	Management contracts	4,654
Enel Iberoamérica, S.L.U.	ENDESA Distribución Eléctrica	Contractual	Operating lease agreements	295
Enel Iberoamérica, S.L.U.	ENDESA Servicios, S.L.	Contractual	Operating lease agreements	4,280
Enel Iberoamérica, S.L.U.	ENDESA Distribución Eléctrica	Contractual	Rendering of services	903
Enel Iberoamérica, S.L.U.	ENDESA Servicios, S.L.	Contractual	Rendering of services	1,089
Enel Iberoamérica, S.L.U.	ENDESA Distribución Eléctrica	Contractual	Property, plant and equipment purchases	28,777
Enel Iberoamérica, S.L.U.	ENDESA Energía, S.A.	Contractual	Property, plant and equipment purchases	39,237
Enel Iberoamérica, S.L.U.	ENDESA Generación, S.A.	Contractual	Property, plant and equipment purchases	1,559
Enel Iberoamérica, S.L.U.	ENDESA, S.A.	Contractual	Property, plant and equipment purchases	22,720
Enel Iberoamérica, S.L.U.	Gas y Electricidad Generación, S.A.	Contractual	Property, plant and equipment purchases	93
Enel Iberoamérica, S.L.U.	Unión Eléctrica de Canarias Generación, S.A.	Contractual	Property, plant and equipment purchases	195
Enel Iberoamérica, S.L.U.	ENDESA, S.A.	Corporate	Dividends and other distributions	564,412

**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.**

Directors will adopt any measures necessary to prevent situations arising where their interests, whether on their own or others' account, may come into conflict with those of the Company and with their duties towards the Company.

In particular, the duty of preventing situations of conflict of interest obliges Directors to abstain from:

- > Performing transactions with the Company, except when they are ordinary transactions, performed in standard conditions for the clients and of scarce relevance, with these being understood to be those for which information is not required to provide an accurate image of the Company's assets, financial status or results.
- > Using the Company name or relying on their status as Directors of the Company to unduly influence private transactions.
- > Making use of Company assets, including confidential information belonging to the Company, for private purposes.



- > Taking advantage of the Company's business opportunities.
- > Obtaining advantages or remuneration from third parties other than the Company and its group of associates for performing his or her role, except for mere courtesies.
- > Performing actions on his or her or other's behalf that are effectively competition, whether real or potential, to the Company or that, for any other reason, place him or her in permanent conflict with the Company.

Directors must disclose any direct or indirect conflict of interest that they may have with the Company interest to the Board of Directors through the General Secretary. Directors will refrain from taking part in deliberating and voting on any agreements or decisions where he or she or any related person has a conflict of interests, whether direct or indirect. The above obligation to abstain will exclude agreements or decisions that affect his or her role of administrator, such as his or her appointment or revocation for roles on the Board of Directors, its Committees and the Executive Committee, or others of similar standing.

In any event, information on any conflicts of interest affecting the Directors of the Company will be reported according to the law in force.

Directors must perform their role with the loyalty of a faithful representative, in good faith and in the Company's best interest, interpreted with full independence, and they will ensure at all the times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.

The Directors, by virtue of their role, are under particular obligation to:

- > Not exercise their powers for purposes other than those for which they were granted.
- > Perform their role under the principle of personal responsibility with freedom of criteria or judgement and regardless of instructions from or relationships with third parties.
- > Comply with the general principles and criteria for behaviour contained in the Company's Code of Ethics.

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 possible conflict must be notified to the Chief Executive Officer so that he or she may rule on its existence or, where applicable, submit the matter to the Audit and Compliance Committee.

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

No

#### **Identify the listed subsidiaries in Spain.**

##### **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 for resolving possible conflicts of interest**

# E. Risk Control and Management Systems

## **E.1. Explain the scope of the risk management system in place at the company, including tax risk.**

In order to adapt to Law 31/2014, of 3 December, amending Spain's Corporate Enterprises Act to improve corporate governance of listed companies and the Good Governance Code of Listed Companies published by the Spanish Securities Market Commission (CNMV) in February 2015, on 15 June 2015, the Board of Directors of ENDESA, S.A. approved the ENDESA Risk Management and Control Policy.

The Risk Management and Control Policy intends to guide and direct strategic, organisational and operating activities that allow the Board of Directors to precisely limit the acceptable risk level, to enable manager of the different business lines to maximise Company profit, maintain or increase its equity above certain levels and prevent uncertain future events from undermining the Company's profit targets.

The risk management and control model is based partly on the ongoing study of the risk profile, applying 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, always respecting an appropriate balance between the risk assumed and the targets set by the Board of Directors.

The Risk Control and Management Policy defines ENDESA's risk control system as an interlaced system of rules, processes, controls and information systems, 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 Business Group'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. This process is based on the following actions:

- > Identification. The purpose of identifying risks is to maintain a prioritised and updated database of all the risks assumed by the corporation through coordinated and efficient participation at all levels of the Company.
- > 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.
- > Control. The aim of the risk control is to guarantee that the risk assumed by ENDESA adapts to the targets set, in the last instance, by the Board of Directors of ENDESA, S.A.
- > 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. The general guidelines of the Risk Control and Management Policy are developed and completed by other corporate risk policies specific to each business line, and also the limits established for optimum risk management.

## **E.2. Identify the bodies responsible for preparing and implementing the risk management system in place at the company, including tax risk.**

The Board of Directors of ENDESA, S.A. is responsible for determining the Risk Control and Management Policy, including tax risk, the supervision of internal information and control systems and setting the level of acceptable risk for the company at all times.

The businesses, corporate areas, business lines and Companies that form part of the Business Group establish the risk management controls required to ensure that transactions



are performed in the markets in accordance with ENDESA's policies, principles and procedures.

ENDESA regulations and internal controls, along with the supervision of the Audit Department, guarantee the controls for minimising operational risk that may generate financial, social, environmental and reputational impact, and also fraud and legal risk. In this regard, the role of Internal Audit is:

- > To systematically and independently assess the efficiency and appropriateness of the Company's internal control system.
- > To support the different areas of the Company in the supervision of risk and in the identification of actions that mitigate them. The person responsible for internal auditing reports regularly to Senior Management and the Audit and Compliance Committee on the result of its work, provides support in the area of internal control and ensures appropriate supervision of the Company's compliance programmes

The body responsible for executing the Risk Management and Control Policy is ENDESA's Risk Committee, which provides support for the internal procedures in the different business and corporate areas and is supervised by the Audit and Compliance Committee of the Board of Directors of ENDESA, S.A. It consists of the parties responsible for each of the Company's business lines and corporate areas, and the following functions are assigned to it:

- > Regularly provide the Board of Directors with a comprehensive view of current and foreseeable risk exposure.
- > Ensure that senior management participates in strategic risk management and control decisions.
- > Ensure coordination between the risk management unit and units responsible for its control and compliance with the risk management and control policy and its internal procedures.
- > Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks regarding its management are appropriately identified, managed and quantified.

- > Actively participate in drawing up the risk strategy and in important decisions regarding its management.
- > Ensure that the risk control and management systems appropriately mitigate risk as part of the risk control and management policy.

Likewise, the quality and reliability of the financial information that listed companies disseminate to the market is a fundamental element for the Company's credibility, which significantly affects the value that the market assigns it, so the dissemination of incorrect or low-quality financial information could provoke a significant decrease in the Company's value with the consequential detriment for shareholders.

In order to mitigate this risk, ENDESA has implemented a system for internal control of financial reporting (ICFR), aimed at establishing the controls and procedures, as it sees fit, for ensuring the quality of the financial information that ENDESA makes public.

Information relating to the ENDESA's system for internal control of financial reporting (ICFR, which summarises ENDESA's internal control procedures in relation to annual financial information, is included in detail in the Corporate Governance Annual Report every year and is reviewed by the Company's auditor.

Due to the increased interest in the control and management of the risk that companies are exposed to and given the complexity that identifying it from a comprehensive point of view is acquiring, the participation of employees is important at all levels of this process. In this regard, a risk mailbox has been created, where employees can contribute to the identifying market risks and proposing mitigation measures, thus complementing existing "top-down" risk control and management systems and the specific mailboxes and procedures for sending notifications in relation to a breach of ethics, criminal risk and occupational risk.

### **E.3. Indicate the main risks, including tax risk, which may prevent the company from achieving its targets.**

ENDESA is exposed to the following risk factors when carrying out its activities:

- > Financial or market risk: risk of fluctuations in prices and other market variables leading to changes in enterprise value or profits. These risks are classified as:
  - Interest rate risk: the risk of fluctuations in interest rates, loan spreads or inflation that may cause fluctuations both in the Company's results and in the value of its assets and liabilities.
  - Currency risk: the risk derived from foreign currency exchange rates.
  - Commodity risk: risk derived from fluctuations in prices and other market variables in relation to raw materials of energy or fuel.
  - Liquidity and financial risk: in relation with liabilities, the risk of failing to complete transactions or meet obligations deriving from financial or operating activities due to lack of funds or access to financial markets, whether derived from a decrease in the Company's credit rating or for other reasons. In relation to assets, the risk of being unable to find buyers for assets at their market price at any given time, or the absence of a market price.
  - 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, or the risk derived from the breach of contract conditions that ENDESA has established with its providers of fuels, goods, services, financing and insurance.
- > Business risk: this type of risk includes:
  - Operational risk: it is the risk of incurring losses due to the absence or inadequacy of procedures, human resources or systems, technological failures and human error, fraud and theft (internal and external), misappropriation of funds, identity theft, falsification or due to external events.
  - Industrial risk: it refers to risks of breakdown or accidents to which ENDESA assets are exposed and which, temporarily, may interrupt its operation
  - Environmental risk: ENDESA is subject to environmental regulations and is exposed to environmental risks inherent to its business, including those risks relating to the management of the waste, spills and emissions of the electricity production facilities, particularly nuclear power plants.
  - Legal and tax risk: it is the risk derived from uncertainty due to government or legal action in compliance with or the interpretation of contracts, laws and regulations. This risk is associated both with compliance with current regulations and changes in the interpretation of the same (commercial, tax, environmental, etc.)
  - Reputational risk: derived risk that the Company's main audience's perception, assessment or opinion of it be seriously affected due to the Company's own actions, events that are wrongly or unfairly attributed to it, or due to events of similar nature that affect the entire sector and are projected on the Company in a more pointed or damaging fashion
  - Strategic and regulatory risk: risk derived from the 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, inter alia, country risk, the risk of restrictions on dividends and nationalisation, either in full or through expropriation regulations.

#### **E.4. Identify if the company has a risk tolerance level, including tax risk.**

The businesses, corporate areas, and companies that form part of the Business Group establish the risk management controls required to ensure that transactions are performed in the markets in accordance with ENDESA's policies, principles and procedures and, in any case, respecting the following limits and rules:

- > Adjusting the risk levels to the targets set by the Board of Directors of ENDESA, S.A.
- > Optimisation of risk control and management from a consolidated perspective, giving the latter priority over individual management of each of the risk.

- > Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.
- > Continuous studying of laws, rules, current regulations, jurisprudence and legal doctrine, including tax laws, to guarantee that transactions are made in accordance with the principles that regulate the activity.
- > Respect for and compliance with internal regulations, with special focus on Corporate Governance, the Code of Ethics, the Zero Tolerance Plan Against Corruption and the General Principles for Criminal Risk Prevention.
- > Duty to preserve the health and safety of the people who work for and at ENDESA.
- > Commitment to sustainable development, efficiency and respect for the environment, identifying, assessing and managing the environmental effects of ENDESA's activities.
- > Responsible optimisation of the use of available resources, in order to provide profitability for our shareholders as part of a relationship based on the principles of loyalty and transparency.
- > ENDESA's financial policies contemplate the active management of financial risk related to the ordinary operation of the Company. In general, speculative positions are restricted.

The objective of risk control is achieved through the following steps:

- > Definition of quantitative references that reflect ENDESA's strategy and its predisposition to risk (limits).
- > Monitoring of set limits.
- > Identification and consideration of possible breaches of limits.
- > Establishment of actions, processes and information flows needed to allow for periodic review of limits in

order to take advantage of specific opportunities arising from each activity.

- > If risk limits are exceeded, the appropriate corrective measures are suggested, using hedging, transfer (insurance) and mitigation mechanisms for manageable risk and, in the case of non-manageable risk, the contingency plans are assessed or the activity is halted.

#### **E.5. Identify any risks, including tax risk, which have occurred during the year.**

The risks that occurred during the year were inherent to the activity performed, such as constant exposure to regulatory, interest-rate, exchange-rate, volatility of fuel, credit or counterparty risk.

These risks remained within normal limits in proportion to the Company's activity, and the established control systems worked adequately.

#### **E.6. Explain the response and monitoring plans for the main risks the Company is exposed to, including tax risk.**

ENDESA has a risk identification system that allows regular assessment of the nature and magnitude of the risks that the organisation is facing. The development of an integrated risk control and management process and, as part of it, a structured and standardised reporting system, has helped synergies to be obtained for the consolidation and comprehensive processing of risks and has allowed key indicators to be developed to detect potential risks and send early alerts. The comprehensive risk management process implemented in the Company establishes, inter alia:

- > Achieving a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility, through diversification of types of financial assets and liabilities and modifications to the risk exposure profile by arranging derivatives.
- > Contracting currency swaps and exchange rate insurance to mitigate currency risk. ENDESA also strives to balance cash collections and payments for its assets and liabilities in foreign currencies.

- > Exposure to fluctuations in commodity prices is managed long term through the diversification of contracts, management of the procurements portfolio by tying it to indexes that perform in a similar or comparable way to final electricity prices (generation) or selling prices (supply), and through periodic contractual renegotiation clauses, the objective of which is to maintain the economic equilibrium of procurements.
- > In the short term, liquidity risk is mitigated by ENDESA by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, drawable lines of credit and a portfolio of highly liquid assets.
- > ENDESA's liquidity policy consists of arranging committed long-term credit facilities with both banking entities and Enel Group companies and financial investments in an amount sufficient to cover projected needs over a given period, based on the status and expectations of the debt and capital markets.
- > In addition, ENDESA develops the centralised cash function, drawing up cash forecasts to ensure it has sufficient cash to meet operational needs, maintaining sufficient levels of availability on its undrawn loans.
- > ENDESA performs very detailed monitoring of the credit risk and takes a series of precautions that include, inter alia:
  - Risk analysis, assessment and monitoring of counterparty credit quality.
  - Risk analysis, evaluation and monitoring of the creditworthiness of the counterparties.
  - Establishing contractual clauses, requesting collateral, requesting guarantees, or taking out insurance.
  - Exhaustive monitoring of levels of exposure to counterparties.
  - Diversification of counterparties.
- > There is one single defined environmental policy for all of ENDESA. The basic principles of this policy are the planning of all business activities, including environmental criteria; the minimisation of environmental impact on the natural habitats of plants; permanent compliance with environmental legislation by all centres and the imposition of legal compliance upon all contractors/providers; the study and application of the best available, economically-viable techniques for plants; and the promotion of environmental awareness both internally and externally through training and collaboration with our stakeholders.
- > ENDESA is exposed to risks of breakdown or accidents that temporarily interrupt the operation of the plants. There are prevention and protection strategies to mitigate these risks.
- > In order to transfer certain risks, mitigating the effects if they occur, ENDESA attempts to obtain adequate insurance cover in relation to the main risks associated with its business — including, inter alia, damages to the Company itself, general civil liability, environmental and nuclear power plant liability.
- > ENDESA manages most of the tax obligations for ENDESA and its controlled companies in a centralised fashion. Therefore, it has developed procedures for each of the taxes that it manages. Besides describing the processes for properly paying taxes and performing quality control regarding taxes paid, these processes include the appointment of a person responsible for the process and a person responsible for supervising it.
- > Due to the existence of different interpretations of applicable regulations, ENDESA relies on experts in the area to analyse them and it also relies on prestigious legal and tax advisors who collaborate in the interpretation of these regulations, which allows ENDESA to adapt its actions to legal requirements.
- > In order to have thorough, reliable knowledge of the status of audience opinion, ENDESA has social research tools used regularly and exclusively for the Company, and also information from studies of the same nature that are available to the public.

# 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.**

### *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.

The committee is entrusted with supervising the preparation and presentation of regulatory financial information and monitoring the efficacy of ENDESA's ICFR 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.

It is also responsible for supervising internal audit services, monitoring its independence and efficacy, proposing the selection, appointment, reappointment and removal of the head of internal audit and 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, presided by the Chief Executive Officer and consisting 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.

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 Administration, Finance and Control 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 in this respect, and reporting them to the Audit and Compliance Committee of the Board of Directors.

#### *ENDESA's Administration, Finance and Control Department*

In supporting the Transparency Committee, ENDESA's Administration, Finance and Control 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 ICFR reports, 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, and submitting periodical reports on its conclusions with respect to the system's effectiveness.

#### *Internal Control Unit*

ENDESA's Administration, Finance and Control 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 and the documentation associated with procedures and controls.

- > 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 Group companies. The purpose of this protocol is to establish the operating 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 system is evaluated and certified in full every six months.

In addition, the Audit and Compliance Committee has tasked the Internal 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 mech-

anisms 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, evaluating the key professional functions and executive positions.

Corporate policy N.26 along with the RACI on Organisational and Human Resources define and establish criteria for identifying, developing and implementing Organisational Guidelines, and also the evaluation and assessment of roles. The Organisational and Human Resources Unit is responsible for implementing and maintaining the same.

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.**

*Code of conduct — Regulatory framework for ethics and compliance*

ENDESA has the following internal regulations on ethics and crime prevention:

*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 objectives.



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's Criminal Risk Prevention Model, in place since 1 January 2012, is a control system for the purpose of preventing or significantly reducing the risk of criminal offences within the company, complying with the Spanish Criminal Code on criminal responsibility of legal persons.

According to current legislation, having adopted an appropriate and efficient prevention model, whose operation and supervision have been entrusted to a Company body with independent powers of initiative and control, could mean the Company being exempt from criminal responsibility with regard to a criminal offence.

The following protocols, which establish general criteria for action in different areas, form part of ENDESA's crime prevention model:

- > 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 also 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 Administration, Finance and Control 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 2015, ENDESA's Administration, Finance and Control Department received 17,806.21 training hours, of which 25.7% 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 mat-



ters 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 43.7% were for language training and 17% for leadership and management skills. In addition, whenever necessary, ENDESA provides specific training courses on financial reporting and control matters to staff outside the Administration, Finance and Control 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.**

Since 2005, ENDESA has had a formally organised ICFR.

##### **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 Glob-

al 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, with information on all its shareholdings, whether direct or indirect, including all entities over which ENDESA has the power to exercise control, regardless of the legal structure giving rise to such control (so that this register also includes holding companies and special purpose vehicles).

The management and updating of this corporate register is governed by corporate protocol N.035, entitled "ENDESA Corporate Records Management".

ENDESA's scope of consolidation is determined on a monthly basis, by the Administration, Finance and Control Department, based on the information available in the corporate records and in accordance with the criteria stipulated by 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.**

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 state-

ments (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, describing 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.

ENDESA's Administration, Finance and Control General Manager 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 Administration, Finance and Control 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.

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

*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 (The Committee of Sponsoring Organizations of the Treadway Commission).

Firstly, there are Management Controls or "Entity Level Controls" (hereinafter "Management Controls" or "ELC") and "Company Level Controls" (hereinafter "CLC"). The structural elements are interrelated across all divisions/companies.

There are also specific ELC controls to mitigate the risk of Segregation of Duties (hereinafter "SOD-specific ELC") and access controls (hereinafter "ELC-ACCESS") that mitigate the risk of unauthorised access to the software applications or network folders involved in the process.

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.
- > Control activities. Also called "Process Level Controls" (hereinafter "PLC"), except for the specific case of IT systems, which are called IT General Controls (hereinafter "ITGCs"). The control activities ensure that, in the ordinary course of business and in respect of all consolidated financial statement headings, ENDESA's control targets are met, in accordance with the aforementioned organisational protocol no. 188.

The internal control model applied in 2015 involves a level of coverage of the main consolidated financial statement headings (total assets, EBITDA, leverage, etc.) above 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.

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.
- > Signature of the organisational unit managers.
- > Evaluation of Entity Level Controls.

The ELCs 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 Internal Audit, are included in the ICFR report along with the self-assessment results.

The weaknesses detected are classified into three categories as follows, depending on their possibility of impact on financial statements:

- > Control weaknesses (insignificant)
- > Significant weaknesses
- > Material weaknesses

All weaknesses detected in the internal control system result in a specific action plan for each of them. 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.R.L. (formerly Enel Energy Europe, S.L.U.), the company which holds a 70% share in ENDESA, S.A. and which is, in turn, 100%-owned by the Enel Group, carries on activities in the telecommunications and IT systems sector, and comprises the physical assets, human resources and third-party contracts required to carry on these activities and to undertake the integrated management of these functions for the Enel Group under the aegis of the parent group's overall strategy for unlocking synergies. 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 duties attributed to Global ICT include the definition, application and monitoring of the security standards for infrastructure and software, which include the IT aspects of the internal control model. It also participates in the definition and monitoring of related policies.

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 is structured into four areas of governance:

- > Planning and Organisation
- > Solution and Maintenance
- > Service Delivery and Support
- > Performance Monitoring

These areas are in turn divided into processes and 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 contains the control activities needed to cover the risks intrinsic to the following IT system management aspects, and financial information processes and systems:

- > IT environment
- > Management of application changes
- > IT operations and management
- > Physical and logical security

To ensure the security of its information, in 2007, ENDESA set up its Information Security function, currently integrated into the Resources Department, in response to requirements dictated by legislation, the technological environment and the market itself. This is based on the regulatory framework established by the Enel Group for information security, whose guiding principles are included in the Security Policy (Policy 40), in the Information Protection and Classification Policy (Policy 33) and the IT Systems Access Control Policy (Policy 87 and Policy 111).

The Security Policy establishes the organisational framework for managing the security risks to which the company's tangible and intangible assets and people resources are exposed, determining the implementation of technical and organisational measures needed for their control and management.

The objectives of this are:

- > The protection of employees from risks of an intentional nature or risks derived from natural disasters
- > The observance of current safety standards, laws and regulations.
- > Protection of IT infrastructure and software, 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).

There is also the IT Systems Access Control Policy (Policy 87 and Policy 111), which sets out guidelines and establishes the control model 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.

**F3.3. 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 managers of ENDESA's Administration, Finance and Control Department and Legal Counsel, 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.**

**F4.1. 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 Administration, Finance and Control Department.

ENDESA's Administration, Finance and Control 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 at different levels.
- > 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 Administration, Finance and Control 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.

**F4.2. 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 external auditor 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.**

**F5.1. 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 Administration, Finance and Control 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 risks.

- > 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 Internal 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 Administration, Finance and Control 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-year-

ly evaluations carried out in 2015 revealed no material ICFR weaknesses. The following is a list of the number of controls evaluated and reviewed by Internal Audit:

<b>Evaluated</b>	
Controls	2.088
PLC	1.846
ELC	167
SOD-specific ELC	97
Rest ELC	70
ELC-ACCESS	75
ITGC general controls	155
<b>Total</b>	<b>2.243</b>
<b>Reviewed by Internal Audit</b>	
Controls	266
PLC	210
ELC	32
SOD-specific ELC	32
Rest ELC	—
ELC-ACCESS	24
ITGC general controls	34
<b>Total</b>	<b>300</b>

As a result of both the self-assessment process and the review carried out by the Internal Audit Unit, 5 control weaknesses that do not significantly affect the quality of the financial information were identified, and 2 insignificant weakness relating to ITGC general controls.

In keeping with the foregoing, ENDESA's management believes that the ICFR model for the period 1 January to 31 December 2015 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.

**F5.2. 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 (2) (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 2015 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 the recommendations of the Good Governance Code for Listed Companies.

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.**

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 listed subsidiary and other group companies.**

**b) The mechanisms in place to resolve possible conflicts of interest.**

Not applicable

**3. During the general shareholders' meeting, in addition to the written dissemination of the annual corporate governance report, the chairman of the Board of Directors verbally informed the shareholders, in sufficient detail, about the most relevant aspects of the Company's corporate governance and, in particular:**

**a) About the changes that had occurred since the last general shareholders' meeting.**

**b) About the specific reasons why the Company does not follow some of the recommendations in the Corporate Governance Code and about the alternative rules it applies, if any, in that area.**

Compliant

**4. The Company should define and promote a policy of communication and contact with shareholders, institutional investors and vote advisors that fully respects rules against market abuse and treats shareholders in the same position in a similar fashion.**

**And the Company should make the policy public on its website, including information relating to the way in which the same has been put into practice and identifying the parties responsible for it.**

Compliant

**5. The Board of Directors should not submit a proposed proxy for issuing shares or convertible bonds with the exclusion of pre-emptive rights to the general shareholders' meeting, for an amount higher than 20% of the capital at the time of the proxy.**

**And when the Board of Directors approves any issue of shares or convertible bonds with exclusion of pre-emptive rights, the Company should immediately publish on its website the reports on that exclusion referred to by commercial legislation.**

Compliant

**6. Listed companies that draw up the following reports, whether of a compulsory or voluntary nature, should publish them on their website sufficiently in advance of the general shareholders' meeting, although their dissemination is not compulsory:**

- a) Report on the independence of the auditor.
- b) Reports on the operation of the audit and appointment and remuneration committees.
- c) Audit committee's report on related-party transactions.
- d) Report on the corporate social responsibility policy.

Compliant

**7. The Company should broadcast the general shareholders' meetings live on their website.**

Compliant

**8. The audit committee should ensure the Board of Directors tries to present the annual accounts to the general shareholders' meeting without limitations or reservations in the audit report. Should such reservations exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Compliant

**9. The Company should publish on its website, permanently, the requirements and procedures that it will accept for certifying ownership of shares, the right to attend the general shareholders' meeting and exercising or delegating the right to vote.**

**And those requirements and procedures should favour the shareholders attending and exercising their rights and be applied in a non-discriminatory fashion.**

Compliant

**10. Then a legitimated shareholder has exercised the right, before the general shareholders' meeting, to complete the agenda or submit new proposed resolutions, the Company:**

- a) Immediately disseminates these additional points and new proposed resolutions.
- b) Publishes the attendance, remote voting and proxy card model with the precise amendments so that the new points on the agenda and alternative proposals may be voted on under the same terms as the proposals made by the Board of Directors.
- c) Submits all of these points and alternative proposals to voting and applies the same voting rules to them as to those made by the Board of Directors, including, in particular, the presumptions or deductions on voting.
- d) Subsequent to the general shareholders' meeting, announce the breakdown of the voting on these additional points or alternative proposals.

Not applicable

**11. If the Company has planned to pay premiums for attendance at the general shareholders' meeting, a general policy on those premiums should be established in advance and the policy should be stable.**

Not applicable

**12. The Board of Directors should perform its duties with a single purpose and independent criteria, treat all shareholders in the same position in the same manner and be guided by the Company's interests, understood to be achieving a profitable and sustainable business in the long term, which promotes its continuity and the maximum financial value for the Company.**

**Pursuing the Company's interests, besides respecting laws and regulations and conduct based on good faith, ethics and respect for commonly accepted customs and good practices, it should try to conciliate the Company's interests with, as applicable, the legitimate interests of its employees, its providers, its clients and those of the**

remaining stakeholders that may be affected, and also the impact of the Company's activities on the community as a whole and on the environment.

Compliant

**13.** In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise between five and fifteen members.

Compliant

**14.** The Board of Directors should approve a policy for selecting directors that:

- a) Is precise and attestable.
- b) Ensures that the proposed appointments or re-elections are based on prior analysis of the needs of the Board of Directors.
- c) Encourages diversity of gender, experience and knowledge.

The result of the prior analysis of the needs of the Board of Directors should be contained in the appointments committee's report that is published when the general shareholders' meeting to which the ratification, appointment or re-election of each director is submitted is called.

The policy for selecting directors should promote the objective of the number of female directors representing, at least, 30% of the total members of the Board of Directors by 2020.

The appointments committee will check compliance with the policy for selecting directors annually and will report on it in the annual corporate governance report.

Compliant

**15.** Proprietary and independent directors should occupy an ample majority of places on the Board of Directors, 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.

Compliant

**16.** The percentage of proprietary directors of the total non-executive directors should not be greater than the proportion between Company capital represented by those directors and the rest of the capital.

This criterion may be minimised:

- a) In large cap companies where few equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

Compliant

**17.** The number of Independent Directors should represent at least half of all board members.

Nonetheless, when it is not a large cap company or when it is but has one or several shareholders acting in a concerted manner, who control more than 30% of the company capital, the number of independent directors should represent, at least, a third of the total directors.

Compliant

**18.** Companies should publish the following Director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Other boards of directors they belong to, whether listed companies or not, and also other paid activities they perform, whatever their nature.
- 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 appointment and subsequent re-elections as a company Director.

e) Shares held in the company, and any options on the same, that they own.

Compliant

**19.** The annual corporate governance report should, after verification by the appointments committee, also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% 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.

Not applicable

**20.** Proprietary directors should resign when the shareholders they represent transfer their equity stake 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.

Not applicable

**21.** 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 of Directors, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director takes on new roles or new obligations that prevent him or her from dedicating the time required for performing the duties of the role of director, is in breach of his or her fiduciary duties or comes under one of the grounds that disqualify him or her from being independent, in accordance with what is established in applicable legislation.

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 16.

Compliant

**22.** Companies should establish rules obliging directors to inform the board of directors 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.

And the moment a Director is indicted or tried for any of the crimes stated in company law, the Board of Directors 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 of Directors should also disclose all such determinations in the annual corporate governance report.

Compliant

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

When the board of directors 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 of directors, whether a director or otherwise.

Not applicable

**24.** 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 of directors. 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.

Compliant

**25. The appointments committee should ensure that non-executive directors have enough time to properly perform their duties.**

**The Board of Directors' Regulations should establish the maximum number of boards of directors that its directors may sit on.**

Compliant

**26. The board of directors should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may individually propose the addition of other items.**

Compliant

**27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. And, when necessary, they should delegate with instructions.**

Partially compliant

There have not been precise instructions with the delegations in all cases. Nonetheless, a procedure has been established by which the directors can delegate in order to try and prevent these situations.

**28. When directors or the secretary express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them can request that they be recorded in the minute book.**

Not applicable

**29. The company should establish suitable channels for directors to obtain the advice and guidance they need to carry out their duties including, if required by the circumstances, external assistance at the company's expense.**

Compliant

**30. Regardless of the knowledge required of the directors for exercising their duties, the companies should also offer directors refresher programmes when circumstances so advise.**

Compliant

**31. The agenda should clearly indicate those points on which the board of directors has to adopt a decision or agreement so that the directors may study or gather, in advance, the information required to make such decisions.**

When, exceptionally, in urgent cases, the chairman wants to submit decisions or agreements that are not on the agenda to the board of directors for approval, prior and express consent will be required from the majority of directors present, which will be duly recorded in the minutes.

Compliant

**32. Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the company and its group.**

Compliant

**33. The chairman, as the party responsible for the efficient operation of the board of directors, besides exercising duties that are attributed to him or her by law and the bylaws, should draw up and submit a calendar and agenda to the board of directors; organise and coordinate the regular evaluation of the board and also, where applicable, of the company's chief executive officer; be responsible for managing the board and its effective operation; ensure that sufficient time is spent on the discussion of strategic matters, and agree on and review refresher programmes for each director, when circumstances so advise.**

Compliant

**34.** When there is a coordinating director, the bylaws or board of directors' regulations should attribute to him or her, besides the powers corresponding by law, the following duties: presiding over the board of directors in the absence of the chairman and the vice chairmen, if there are any; echoing the concerns of the non-executive directors; maintaining contact with investors and shareholders to learn their points of view for the purpose of forming an opinion regarding their concerns, in particular, in relation to the company's corporate governance; and coordinating the plan for the succession of the chairman.

Compliant

**35.** The secretary of the board of directors should especially ensure that the board of directors take the good governance recommendations contained in this good governance code into account when they are applicable to the company.

Compliant

**36.** The board of directors, in plenary session, should evaluate and adopt, where applicable, an action plan once a year to correct deficiencies detected with regard to:

a) The quality and efficiency of the operation of the board of directors.

b) The operation and composition of its committees.

c) Diversity in the composition and powers of the board of directors.

d) The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.

e) The performance and contribution of each director, paying special attention to the managers of the board's different committees.

The evaluation of the different committees will be based on the reports they submit to the board of directors and

the latter will be evaluated based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in carrying out an assessment by an independent external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company in its group maintains with the company or any group company must be listed in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

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 of directors itself. The secretary of the board should also act as secretary to the executive committee.

Compliant

**38.** The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all members of the board of directors should receive a copy of the executive committee's minutes.

Not applicable

**39.** The members of the audit committee and, especially, its chairman should be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Compliant

**40.** Under the supervision of the audit committee, there should be a unit that assumes the internal audit function and ensures the proper operation of internal reporting and control systems and that reports to the



non-executive chairman of the board or of the audit committee.

Compliant

**41.** The head of the unit that assumes the internal audit function should present an annual work programme to the audit committee; directly report any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

**42.** Besides those set out in law, the following duties correspond to the audit committee:

**1.** With respect to internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, check for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

b) To strive for the independence of the unit that assumes the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan to ensure the activity is primarily focused on relevant risks for the company; receive regular information on its activities; and verify that senior management takes into consideration the conclusions and recommendations of its reports.

c) To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

**2.** With respect of the external auditor:

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

b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.

c) To oversee that the company reports, as a material fact, to the Spanish Securities Market Commission (CNMV) the change of auditor and accompanies it with a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.

d) To ensure that the external auditor maintains an annual meeting with the board of directors, in plenary session, to inform it regarding the work performed and the financial position of and risks faced by the company.

e) To ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on the independence of the auditors;

Compliant

**43.** 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

**44.** The audit committee should be informed of any transactions that would implement structural and corporate changes that the company aims to make for their analysis and a preliminary report to the board of directors on their economic conditions and their accounting impact and, especially, where applicable, on the proposed exchange ratio.

Compliant

**45.** Control and risk management policy should specify at least:

a) The different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmen-

tal, political and reputational) that the company is exposed to, including among financial or economic risks, contingent liabilities and other risks not on the balance sheet.

**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.**

Compliant

**46. Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there should be an internal risk control and management function exercised by one of the company's internal units or departments that has expressly been entrusted with the following duties:**

**a) Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks that affect the company are appropriately identified, managed and quantified.**

**b) Actively participate in drawing up the risk strategy and in important decisions regarding its management.**

**c) Ensure that the risk control and management systems appropriately mitigate risk as part of the policy defined by the board of directors.**

Compliant

**47. The members of the appointments and remuneration committee — or the appointments committee and the remuneration committee, if they are separate — should be appointed ensuring that they have the appropriate knowledge, aptitude and experience for the functions that they are called upon to perform and the majority of those members should be independent directors.**

Compliant

**48. Large cap companies should have a separate appointments committee and remuneration committee.**

Explain

The ENDESA board of directors consists of 11 members, 5 of whom are independent.

Following the recommendations of the Good Governance Code, the majority of the members of the Appointments and Remuneration Committee (comprising six members) must be independent. Specifically, all of the members of the Board classified as independent (five) form part of this committee.

A decision has been made not to divide the current Appointments and Remuneration Committee into two separate committees (an appointments committee and a remuneration committee) because the composition of both of them would be practically identical, with the five independent members forming part of each.

**49. The nomination committee should consult with the chairman of the board of directors and the company's chief executive officer, especially on matters relating to executive directors.**

**Any board member should be able to suggest directorship candidates to the appointments committee for its consideration.**

Compliant

**50. The remuneration committee should exercise its functions independently and, besides the functions attributed to it by law, should also have the following duties:**

**a) To propose the standard conditions for senior officer employment contracts to the board of directors.**

**b) To check compliance with the remuneration policy set by the company.**

**c) To regularly review the remuneration policy applied to directors and senior management, including systems**

of remuneration in shares and its application, and also guarantee that their individual remuneration is proportionate to that paid to the other company directors and senior management.

d) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee.

e) To verify information regarding remuneration of directors and senior executives provided in various corporate documents, including the annual report on remuneration of directors.

Compliant

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

Compliant

**52.** The rules for the composition and operation of the supervision and control committees should be in the board of directors' regulations and should be consistent with those applicable to the commissions that are applicable by law in accordance with the above recommendations, including:

a) They should be exclusively comprised of non-executive directors, and the majority should be independent directors.

b) Committees should be chaired by an independent director.

c) 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 should report on their activity to the first board plenary following their meetings and should answer for the work done.

d) The committees may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Minutes should be taken of their meetings and should be available to all directors.

Compliant

**53.** One or several committees of the board of directors should be responsible for supervising compliance with the corporate governance rules, with internal codes of conduct and with the corporate social responsibility policy; these may be the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organisation, decides to create for the purpose, which will have the following specific minimum duties:

a) Supervision of compliance with the internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communications strategy and relationships with shareholders and investors, including small and medium shareholders.

c) Regular assessment of the suitability of the company's corporate governance system, so that it complies with its mission of promoting social interest and takes into account, as applicable, the legitimate interests of the other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring it is aimed at creating value.

e) Monitoring the corporate social responsibility strategy and practices and assess compliance therewith.

f) Supervision and assessment of the engagement processes for different interest groups.

g) Assessment of all aspects related to the company's non-financial risks — including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.

Compliant

**54.** The corporate social responsibility policy should include the principles or commitments that the company assumes voluntarily in its relationship with the different stakeholders and should identify at least:

a) The objectives of the corporate social responsibility policy and the development of support instruments.

b) Corporate strategy relating to sustainability, the environment and social matters.

c) Specific practices in matters relating to: shareholders, employees, clients, providers, social matters, environment, diversity, tax obligations, respect for human rights and prevention of illegal conduct.

d) The methods or systems for monitoring the results of applying the specific practices indicated in the previous letter, the associated risk and management of the same.

e) Mechanisms for supervising non-financial risk, ethics, and business conduct.

f) Channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

**55.** The company should report, in a separate document or in the management report, on matters relating to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant

**56.** The remuneration of the directors should be as necessary to attract and retain directors of the desired profile and to remunerate the dedication, qualification and responsibility that the role requires, but not so high that it compromise the non-executive director criteria of independence.

Compliant

**57.** Remuneration linked to the company's performance and personal effort, and also remuneration comprising the delivery of shares, share options or rights to shares, or other share-based instruments and long-term savings systems such as pension plans, retirement schemes or other social benefit systems should be confined to executive directors.

The delivery of shares may be contemplated as remuneration for non-executive directors when they are obliged to retain them until the end of their tenure. The above will not be applicable to shares that the directors has to sell to satisfy costs related to their acquisition.

Compliant

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

And, in particular, with regard to the variable components of the remuneration:

a) They should be related to pre-determined and measurable performance criteria and those criteria should consider the risk assumed to obtain a result.

b) They should promote the sustainability of the company and include non-financial criteria that should be appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) They should be based on balance between compliance with objectives in the short, medium and long term, which allow performance to be remunerated for continued effort over a long enough period of time for their contribution to the creation of sustainable value to be appreciated, so that the elements for measuring this performance do not only revolve around specific, occasional or special events.

Compliant

**59. Payment of a relevant part of the variable components of the remuneration should be deferred for a sufficient minimum period to check that previously established performance conditions have been met.**

Compliant

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

Compliant

**61. A relevant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or share-based financial instruments.**

Compliant

**62. Once the shares or options or rights to actions corresponding to the remuneration systems have been attributed, the directors may not transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until, at least, three years after they were attributed.**

**The above will not be applicable to shares that the directors has to sell to satisfy costs related to their acquisition.**

Not applicable

**63. Contractual agreements should include a clause that allows the company to claim a refund of variable components of remuneration when the payment was not adapted to performance conditions or when they were paid based on data which later proved to be incorrect.**

Partially compliant

The remuneration system for executive directors contemplates variable annual remuneration and a three-year programme. The recommendation is met in the three-year programme but not in the annual variable remuneration.

Nonetheless, the aforementioned clause has been included for 2016 both with for annual variable remuneration and for the three-year programme.

**64. Payments for termination of contract should not exceed a set amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to check that the director has complied with the previously established performance criteria.**

Partially compliant

The contractual conditions of current directors are prior to this recommendation. Nonetheless, the next update of the directors' remuneration policy will indicate the need to comply with this recommendation when new members are incorporated into ENDESA senior management. In any case, the remuneration will not be paid until the company checks that the director has complied with the previously established requirements.

## 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.**

C.1.16. Of the 18 people included in the Senior Management Personnel section, 2 are removed as a result of the incorporation into the Voluntary Suspension Agreement (3.12.2013) and 2 were appointed.

### *CODE OF BEST PRACTICES*

"At its 20 December 2010 meeting, the Board of Directors of ENDESA approved the adoption of the Code of

Best Tax Practices. In compliance with the provisions thereof, ENDESA's head of tax matters has been reporting annually to the Board, through the Audit Committee, on the company's tax policies and the tax implications of the company's most significant operations of the year. Likewise, on 25 January 2016, the ENDESA board of directors ratified the company's adherence to the code of ENDESA, S.A. and its Spanish subsidiaries after the recent incorporation to the same of an appendix with new obligations of conduct both for the company and for the administration."

Likewise, ENDESA is attached to the United Nations Global Compact, which promotes implementation, on an international level, of the 10 universally accepted principles for promoting corporate social responsibility (CSR) in the areas of human rights, labour regulations, the environment and the fight against corruption in companies' business strategy and activities.

**This annual corporate governance report was adopted by the company's board of directors at its meeting held on 22/02/2016.**

**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 2015





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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 2015**

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 January 21, 2016, we have performed certain procedures on the accompanying "ICFR-related information" included in the 2015 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 2015 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 7/2015 dated December 22, 2015.
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 7/2015, of December 22, 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)*

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José Agustín Rico Horcajo

February 22, 2016

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